DOMINION OF CANADA

OFFICIAL REPORT

OF

DEBATES HOUSE OF COMMONS

THIRD SESSION-NINETEENTH PARLIAMENT

6 GEORGE VI, 1942

VOLUME V, 1942

COMPRISING THE PERIOD FROM THE SEVENTEENTH DAY OF JULY, 1942, TO THE TWENTY-SEVENTH DAY OF JANUARY, 1943, INCLUSIVE

BEING

VOLUME CCXXXIII FOR THE PERIOD 1875-1942

INDEX ISSUED IN A SEPARATE VOLUME



OTTAWA EDMOND CLOUTIER PRINTER TO THE KING'S MOST EXCELLENT MAJESTY 1943



CANADA

House of Commons Debates

OFFICIAL REPORT

Friday, July 17, 1942

The house met at three o'clock.

SOLDIER SETTLEMENT

Fifth report of special committee on land settlement of veterans of the present war.— Mr. Macmillan.

WHEAT

TABLING OF INTERNATIONAL AGREEMENT SIGNED AT WASHINGTON

Right Hon. W. L. MACKENZIE KING (Prime Minister): I wish to take this opportunity of tabling three copies in English and French of the recent exchange of notes dated April 24, May 20 and June 27, 1942, between the governments of Argentina, Australia, Canada, United Kingdom and the United States. This exchange of notes brings into effect as of June 27, 1942, the memorandum of agreement initialed at the final session of the wheat committee held at Washington between July 10, 1941 and April 22, 1942.

For the convenience of hon. members I suggest that the document be printed in *Votes* and *Proceedings*. There are about thirty type-written pages.

Mr. E. E. PERLEY (Qu'Appelle): In view of this document being tabled to-day, and the Minister of Trade and Commerce having said yesterday that he might make a statement, is he prepared to make that statement now?

Mr. SPEAKER: That might come on the orders of the day.

STATEMENT OF THE MINISTER OF TRADE AND COMMERCE

On the orders of the day:

Hon. J. A. MacKINNON (Minister of Trade and Commerce): The hon. member for Qu'Appelle (Mr. Perley) suggested yesterday that if the international wheat agreement should be tabled to-day I might make a 44561-273

statement on it. In tabling the agreement the Prime Minister (Mr. Mackenzie King) has announced that it will be printed in the *Votes and Proceedings*, which I think obviates any necessity for any long statement on my part, particularly in view of the fact that some time ago a statement was given to the press which received very wide distribution in Canada. However, I might very briefly refer to a few of the important points covered in the agreement, for the benefit of other hon. members, perhaps not as diligent as the hon. member for Qu'Appelle, who may be inclined to follow it up.

The Washington wheat conference was held between Great Britain, Australia, Argentina, the United States and Canada. A convention was drafted which it is hoped will ultimately be agreed to between all wheat exporting and importing nations. Realizing that no general conference could be held at the present time or possibly for some time after the cessation of hostilities, the five nations participating in the Washington meetings have agreed to implement the terms of the convention as far as possible until it is ratified by all interested countries.

The main points of the convention agreed to be made operative between the five countries are:

The relief pool-article 6, page 6-of not less than 100,000,000 bushels of wheat: Canada, 25,000,000, the United Kingdom, 25,000,000, the United States, 50,000,000, and Argentina, Australia, Canada and the United States such further amounts as may be agreed.

Control of production—article 2, page 2—so as to not exceed domestic requirements plus the basic export quotas and maximum reserve stocks provided for in the convention.

Control of stocks—article 3, page 3—providing for Canadian year-end stocks of not less than 80,000,000 or more than 275,000,000 bushels.

Export control of wheat and flour-article 4, page 4-providing for Canada to have 40

REVISED EDITION

International Wheat Agreement

per cent, Argentina 25 per cent, Australia 19 per cent and the United States 16 per cent of the total volume of international trade in wheat and flour after allocation of quotas to other exporting countries not now parties to the present agreement, and allowance for exports from governments not party to the agreement.

Price control—article 5, page 6—providing for basic minimum and maximum prices to be fixed by the council from time to time. Until the convention is agreed to or by other countries which may participate, it is provided in paragraph 6 of the memorandum of agreement that it shall be fixed by unanimous consent between the five nations, and until so fixed shall be the last price negotiated by the United Kingdom for a bulk purchase of wheat from its principal country of supply.

Administration, which ultimately is to be by a council of one or more delegates from each contracting country, with a permanent secretary and if necessary an executive committee. In the meantime, until the full convention comes into force, administration shall be by equal representation of each of the five countries.

REQUEST FOR STATEMENT AS TO ARRANGEMENTS FOR 1942 CROP

On the orders of the day:

Mr. G. H. CASTLEDEN (Yorkton): I wish to direct a question either to the Minister of Agriculture or to the Minister of Trade and Commerce. In view of the possibility that a large crop of wheat may be harvested in the west next month, and the reported shortage of storage facilities, will the appropriate minister inform the house what the government intend to do with regard to quotas, delivery arrangements and storage payments for the 1942 crop?

Mr. SPEAKER: Order. This question should be placed upon the order paper.

ORDERS IN COUNCIL

PROCLAMATIONS—TABLING FOR PERIOD JANUARY 7 TO MARCH 31, 1942

Right Hon. W. L. MACKENZIE KING (Prime Minister): I desire to table, in English and French, volume 6 of proclamations and orders in council from January 7, 1942, to March 31, 1942.

These volumes are now being published quarterly instead of half-yearly as heretofore. [Mr. J. A. MacKinnon.]

HONG KONG COMMISSION

REQUEST FOR TABLING OF FURTHER COMMUNICA-TION FROM COLONEL DREW

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I understand that Colonel Drew has sent another communication to the Prime Minister. I wonder if he will be good enough to lay it on the table.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I decline to lay the communication on the table for the same reason that I declined to lay the previous communication on the table. I might add, however, that as my hon. friend is aware, he has received a copy of the communication, as have also the leaders of the other two groups in the house.

CZECHOSLOVAK REPUBLIC

ANNOUNCEMENT OF THE OPENING OF LEGATION IN OTTAWA—TRIBUTE TO CZECHOSLOVAK PEOPLE

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): The Canadian government has agreed to a proposal of the government of the Czechoslovak republic to enter into direct diplomatic relations with Canada by the opening of a legation of the Czechoslovak republic in Ottawa. Doctor Frantisek Pavlasek, who has represented his country as consul general of the Czechoslovak republic in Montreal since 1936, has been appointed by his government as the first Czechoslovak minister to Canada. I am sure that Doctor Pavlasek's promotion to the rank of Envoy Extraordinary and Minister Plenipotentiary will be warmly welcomed by his many Canadian friends.

It is entirely fitting that a minister of the Czechoslovak republic should join the other ministers who have been appointed to represent in Canada the allied governments which are now in London. Nearly two years ago the Canadian government recognized the government which had been established in the United Kingdom under the presidency of Doctor Edward Benes. That government is recognized in a full sense as the government of the Czechoslovak republic and as being in its juridical position identical with the position of the other allied heads of states and governments in the United Kingdom. The

governments of the United Kingdom and of the United States accredited ministers to the President of the Czechoslovak republic some time ago. While the Canadian government does not at present propose to accredit a Canadian minister to the president of the Czechoslovak republic in London, we are glad to receive a minister of the Czechoslovak republic in Ottawa. The question of the permanent exchange of ministers between the two countries is to be deferred until after the war.

I should like to take advantage of this occasion to express again the profound admiration and deep sympathy of the government and the people of Canada for the Czechoslovak people, who are proudly and valiantly enduring the most bitter oppression in their long history. The free peoples of the world, enured though they may be to reports of nazi persecution, have been shocked and horrified by the brutal executions and repressions which followed the assassination of Heydrich. The destruction of Lidice, with the indiscriminate execution of its male inhabitants and the systematic purge of the leaders who have remained in their own country, are unforgettable additions to a long tale of terrible suppression. Their spirit of resistance has not been dampened by these barbarous outrages, and we can feel sure that they will endure these trials with high courage until the hour of their liberation.

BUSINESS OF THE HOUSE

ANNOUNCEMENT OF SECRET SESSION TO BE HELD ON SATURDAY, JULY 18

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I notice that the press interpreted the vote of yesterday on the motion of the hon. member for Gaspé (Mr. Roy) as a decision by this house that there should not be any secret session. Such as a matter of fact is not the case, nor was it the intention. The motion that was voted on yesterday was a motion for the house to adjourn. Just why hon. gentlemen opposite supported that motion in the way they did I have yet to understand. However, hon. members will recall that I stated that before the government could decide on the question whether or not it was advisable to have a secret session it was desirable that the minister who is primarily concerned should have 44561-273

Business of the House

before him such information as it was thought would justify the calling of a secret session. Since the return from Collingwood and Midland yesterday of my colleague the Minister of National Defence for Naval Services (Mr. Macdonald), he and I have gone over the matter together and we both feel that in the light of some of the things which were said in the course of the discussion yesterday afternoon, and as well in the light of representations which have been made to him, it would be advisable to have a secret session of the house. I would now announce that to-morrow morning the first order of business will be the holding of a secret session to discuss or consider the matter of urgent public importance which was the subject of the motion by the hon. member for Gaspé.

Mrs. DORISE W. NIELSEN (North Battleford): Would the Prime Minister be kind enough to tell us whether it will be possible for hon. members of the house to obtain any information to-morrow morning during the secret session, with regard to the opening by the allies of a second front, or is the discussion to be limited to the question raised by the hon. member for Gaspé (Mr. Roy).

Mr. MACKENZIE KING: I stated that the discussion would have reference to the question raised by the hon. member for Gaspé, but if my hon. friend wishes to bring up the question she has just raised, I will be prepared to make such answer as it may be possible to make to it.

GASOLINE

USE OF TRUCKS BY FARMERS AND THEIR FAMILIES

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I should like to direct a question to the Minister of Finance in connection with a matter which has been previously mentioned in this house, following representations made by various public bodies in the western provinces, including, I believe, the government of the province of Saskatchewan. The question is whether or not a final decision has been arrived at by the government on the question of the relaxation of the rule preventing farmers and their families from using trucks for transportation purposes, subject, of course, to conformity with gasoline and rubber regulations.

Labour Conditions

Mr. SPEAKER: I think this is a question which should be placed on the order paper. Already it has been the subject of discussion, not in this but in a similar form, and since it is a question having to do with a declaration of intention on the part of the government, I do not think it should be asked on the orders of the day.

Mr. DIEFENBAKER: If I may be permitted a word, I believe a decision should be reached by the government; representations have been made, and I suggest, with the utmost respect, that this is a matter of very great importance to many farmers in the western provinces.

Mr. SPEAKER: I must say that I am not impressed by the argument that the question should be answered now. I think it certainly is a question that should be placed on the order paper.

MILITARY CAMPS

FIRE AT BARRIEFIELD—REPORTS AS TO EFFICACY OF FIRE-FIGHTING APPARATUS

On the orders of the day:

Hon. J. L. RALSTON (Minister of National Defence): The other day the hon. member for Red Deer (Mr. Shaw) asked whether a report he had heard was well founded, to the effect that the available fire-fighting apparatus at Barriefield military camp had proved useless on the occasion of a recent fire. I want to say to him—and I only mention it now in order that it may be on the record—that the reports I have received indicate that the available fire-fighting apparatus operated most efficiently. I shall be glad to show the hon. member a copy of those reports.

LABOUR CONDITIONS

EMPLOYMENT IN INDUSTRY OF WOMEN OVER THIRTY-FIVE YEARS OF AGE

On the orders of the day:

Mr. J. H. BLACKMORE (Lethbridge): I desire to direct a question to the Minister of Labour based on a letter which reached me from Vancouver this morning, from which I quote:

In Vancouver there are many munitions workers available and anxious to play their part. The age limit of thirty-five years for war emergency training excludes hundreds of efficient women. I have written to Hon. Mr.

[Mr. Diefenbaker.]

Mitchell, but his reply is that all training is sponsored by employers. That can hardly be the case. The government pays so much per week per student while training, and should have some say regarding the selecting of students. This is total war, or should be, and every woman should be working, regardless of age. The above unit have a membership of three hundred, all skilled in the manufacture of munitions, yet to date only sixteen of them are in the plants, due to my personal efforts and contacts. If you can do anything—

Mr. SPEAKER: Order. The hon. member is reading a long letter in support of his question, which is in somewhat the same category as one already asked this afternoon. I should regard that as a notice to the minister to make reply to-morrow or at such other time as he may see fit.

Mr. MITCHELL: I would rather get it out of the way now.

Mr. SPEAKER: A question improperly asked may not be improperly answered.

WAYS AND MEANS

INCOME WAR TAX ACT

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

The CHAIRMAN: Resolution 1, part I.

Mr. CASTLEDEN: With regard to what was the defence tax, is it the intention to tax labour which receives less than the minima of \$660 for single and \$1,200 for married men under the new regulations?

Mr. ILSLEY: No.

Mr. CASTLEDEN: It is intended to collect the tax at the source, as was done previously?

Mr. ILSLEY: Yes.

Mr. CASTLEDEN: How much money was collected last year under these regulations, from persons who, as it turned out later, had not reached the minimum requirements for taxation?

Mr. ILSLEY: The information is not available at the moment, and I am doubtful whether it would be possible to get it. To answer the question it would be necessary to tell the hon. gentleman not only what was refunded because it turned out that the person paying was earning less than the minimum, but also the amount which should be refunded, and that information is not complete.

Mr. CASTLEDEN: That is the very point I am making-the fact that those who are getting less than the minima are being taxed by the government, and the money which they are paying is being held by the government. The machinery by which they can recover the money is so complicated that most of them just let it go. I undertook to follow up a case to see what the procedure was and what possibilities there were of getting these refunds. When the taxpayer inquired of the department, the dominion income tax division sent him a long form which he had to fill out. He had to give his name and address, the names and addresses of all his employers during 1940-and he had worked for several; he had to state whether he was married or single or a widower, the number of his dependents or dependent children, grandchildren, and whether they were wholly dependent on him; the number of dependent brothers and sisters under twenty-one; the reasons for his claims; particulars of income, gross salary, wages, bonus or other compensations; the value of board, subsistence and so on; gross dividends, gross interest-most of these chaps do not get very much of that-various deductions; the names and addresses of the persons making deductions at the source; the amount collected by each, and so on. He had to state what the gross income was from each of his employers. Many of these workers do not keep an accurate record so that they do not know what their employers have deducted; all they get is a cheque at the end of the week. He has to give the total income from these sources, one-half of the amount taxable for 1940, at 2 per cent or 3 per cent as the case may be, less credit for national defence, and make out a complete disclosure of total income from all sources for 1940, and so on. He has to state the name and address of his wife.

The form is so long and complicated that by the time this fellow got through with it he was not sure whether the information he gave was correct or not. He made out the form and sent it in, and so far he has not heard anything about it. He finally received a letter on July 28, 1941, referring to his request for refund. The department sent him the defence tax brochure with a full explanation, but since then he has received no information. I wrote to the inspector of income tax at Regina on April 30 of this year, and the last word I had was that nothing had been done in the matter.

If the government does not intend to tax these people receiving the lower incomes, there should be some method by which the return of the tax could be facilitated. If the Income War Tax Act

intention is to tax them, then there should be an impost in the form of a tax. Most of these chaps do not mind paying the tax; they have been without work so long that they are glad to get a little pay. If the government does intend to tax them, then I suggest that it should be made plain to them; otherwise the machinery for making the refund should be simplified and made easier than it is at the present time. I contend that there must be at the very least \$2,000,000 taxed from these people who are receiving less than the minima. That is my estimate of the amount which these people are being taxed, and I suggest that something should be done in this matter. Either they should be taxed openly, or the return of the refunds should be facilitated.

Mr. GIBSON: This is a very difficult problem. We have men who have been employed for short periods at high rates of wages; consequently the national defence tax has been deducted from the amount they received, and when they claim a refund those deductions must all be checked. The employer's returns must be checked with the claim which the taxpayer files, and that takes a certain amount of time. I know there are claims numbering many thousands, which will all have to be checked, and it cannot be done very quickly. It is necessary to secure the information that has been asked for in order that the claims may be thoroughly checked before refunds can be made of the amounts refundable. So far as the income tax department is concerned, every effort is being made to get ahead with these refunds as rapidly as possible.

Mr. CASTLEDEN: I realize that, but it seems to me that the machinery is too heavy for the amount of money involved. This man's refund does not amount to more than nine or ten dollars, and he would rather let it go than bother about it. That is the very thing I am pointing out. These people are not bothering about it; they are paying the tax. I do not know whether it is worth while keeping the machinery going if you are going to search through all the records.

Mr. GIBSON: If we did not check a claim for a nine dollar refund, we would have a great many nine dollar claims.

Mr. ABBOTT: I have a few observations to make along the same lines as those made by the leader of the opposition (Mr. Hanson) when he opened the discussion on this resolution, particularly that part of his remarks relating to the burden placed upon married men. There seems to me to be too great

a difference between the position of the married man and the position of the single man, particularly in the lower income brackets. In the case of the married man with no children there is a tax credit of \$150. I do not think anyone will argue that the tax deduction should be sufficient entirely to support a wife or children, because in that case it would mean they were being supported at the expense of the bachelor and the other taxpayers of the country. I am not saying that my hon. friend suggested that, but the hon. member for Parry Sound (Mr. Slaght), in giving his figures the other night of 36 cents a day, did intimate that that was the amount one would have left to support a wife.

I want to deal with the effects of these tax schedules upon married men in the lower income brackets. The leader of the opposition referred to men in the \$1,200 to \$1,700 bracket as forming the backbone of this country and said he felt that married men in this category were being terribly penalized by this budget. There seems to be widespread misapprehension among members of this house, and certainly among the people of the country, as to the effect of these new tax schedules upon married men in the lower income brackets. I have made some calculations covering incomes from \$1,500 to \$2,500. While I have not the exact figures, I think it is fair to say that 75 to 80 per cent of the married men in this country would come within that salary range or lower. In making my calculations I have taken married men with one, two, three, four, five and six children. I realize that in my own province of Quebec families are much larger than that, but I thought that that would be a fair basis to work upon. I found the results of these calculations rather striking. In making them I excluded the compulsory savings portion of the tax, because the taxpayer gets that back. If he is paying insurance premiums or making principal payments on a house, he can claim those as a reduction. Hon. members will agree that if we are to check inflation there must be a substantial reduction in the spending by the people in these lower income groups. On the other hand, on grounds of equity, everything should not be taken away by taxation;

they should be able to look forward to spending that or using it when the emergency is over.

It will take just a few examples to illustrate my point. A man with one child and receiving \$1,500 per year pays less in cash under the new rates than he paid under the rates last year. This year he pays \$54.60, while last year he paid \$55. It is true the difference is slight, it is much greater in other cases, but the fact is that he does pay less. A married man with two children and receiving \$1,700 pays less this year than he paid last year. A man with an income of \$1,900 and having three children pays less than he did last year. A man with an income of \$2,100 and having four children pays less than he paid last year. A man with an income of \$2,300 and having five children pays less than he did last year, and a man with an income of \$2,500 and having six children is in the same position. Married men in the salary range between \$1,500 and \$2,500 are actually paying less than they did under last year's schedules, depending upon the number of children they have. There is another point to consider. Last year a provincial tax was payable in some of the provinces; these have been eliminated under the agreements between the dominion and the provinces.

With the permission of the committee I should like to place this table upon Hansard. It is quite short, and it sets out in dollars and cents just what men in these income brackets will have to pay depending upon the number of children they have up to six. The impression seems to have been created that the low income man, the family man with children, is being discriminated against in this budget. I am satisfied that that is not so, that the reverse is true. It is a tough budget, but this is a tough war. If the budget is to be accepted by the people as a whole, and I hope it will be, it is necessary that they should be satisfied that it is fair and equitable. The minister and his advisers are to be congratulated upon doing what they have done to see that the married man with a relatively low income is given real consideration. The table is as follows:

Net Tax Only (Excluding Compulsory Saving)

		Married man with						
Income	One child	Two children	Three children	Four children	Five children	Six children		
1,500Old	\$ 55 00	\$ 35 00	\$ 15 00					
New	54 60	24 50	10 50					
1,700Old	65 00	45 00	25 00	\$ 5 00				
New	95 40	41 40	17 50	3 50				
1,900Old	75 00	55 00	35 00	15 00				
New	139 40	85 40	31 40	10 50				
2,100Old	115 00	65 00	45 00	25 00	\$ 5 00			
Z,100New	183 40	129 40	75 40	21 40	3 50			
	155 00	75 00	55 00	35 00	15 00			
2,300Old New	227 40	173 40	119 40	65 40	11 40			
	195 00	115 00	65 00	45 00	25 00	\$5 00		
2,500Old New	$ \frac{195}{271} \frac{00}{40} $	217 40	163 40	109 40	55 40	3 50		

Mr. HANSON (York-Sunbury): I am surprised at the results of the hon. member's computation. First of all, I am glad to find him in agreement with me in connection with the disparity between married and single men. I shall endeavour to analyse the figures which he has placed on Hansard, but I wonder if he has seen an article which appeared in the current issue of the Financial Post entitled "Bachelors Get Budget Breaks." This article contains a long table which is divided into three categories. First there is the percentage increase in taxes, then the total increase in taxes, and then the total taxes at 1942 budget rates, excluding post-war refunds. That is working it out on the same basis as my hon. friend. I shall examine with care the figures he has given, and in the meantime I should like to have an expression of opinion from the minister on the point raised by the hon. member. If I could have the permission of the committee I should like to have this table put on Hansard, for its informative value. It may not be correct.

Mr. ILSLEY: I do not know, but it is all right to put it on *Hansard*.

Mr. HANSON (York-Sunbury): Then I will hand it to *Hansard*:

BACHELORS GET BUDGET BREAKS

Most significant complaint raised against the new budget is not the size of the gross tax bill, bound to be overwhelming in the face of Canada's commitments, but in the apportionment of the burden. Herewith the *Financial Post* presents one facet of this pressing problem; the disparity in the tax increases imposed on those with children as compared with single or childless taxpayers.

Two key facts come out of the accompanying table: the tax jump is, in all brackets except the \$2,000 incomes, uniformly higher as the family responsibilities increase; and the percentage increases are higher in the lower brackets. Latter fact is largely attributable to taxation in the higher brackets having already approached saturation levels, but note that the married man with four children at \$4,000 a year has had almost four times as big a percentage tax boost as the single man with \$35,000.

For comparative purposes, dollar tax rates and increases for 1942 are included.

George			e. 1999.45	- Married man		
Gross annual salary	Single man	Without children	With one child	With two children	With three children	With four children
Percentage increase in	taxes					
\$	%	. %	%	%	% .	%
2,000	29.6	31.9	69.9	79.0	33.5	-30.0
4,000	33.4	42.9	47.1	48.5	48.7	82.8
7.000	24.8	29.8	$32 \cdot 0$	33.9	35.8	38.0
12,000	20.1	$23 \cdot 1$	$24 \cdot 3$	25.4	26.5	27.6
20,000	$21 \cdot 1$	23.4	24.2	25.0	25.9	26.8
35,000	$22 \cdot 8$	24.7	$25 \cdot 2$	25.8	26.3	26.9
Dollar increase in taxe	es					
\$	\$	\$	\$	\$	\$	\$
2,000	101	56	66	47	13	-6
4,000	319	289	261	218	170	211
7,000	540	525	511	488	462	433
12,000	934	937	937	928	916	902
20,000	1,924	1,949	1,961	1,973	1,985	1,997
35,000	4,145	4,208	4,240	4,272	4,304	4,336

Gross				- Married may	n	
annual salary	Single man	Without children	With one child	With two children	With three children	With four children
Total taxes at 1942 bu	dget rates	excluding pos	t-war refunds		canada car	curren cu
\$	\$	\$	\$	\$	\$	\$
2,000	441	231	161	107	53	14
4,000	1,274	964	816	668	520	466
7,000	2,715	2,285	2,107	1,929	1.751	1.573
12,000	5,592	5,002	4,794	4.586	4.378	4.170
20,000	11,029	10,279	10,071	9.863	9,655	9.447
35,000	22,313	21,263	21,055	20,847	20.639	20,431

I had hoped that when we met to-day the minister would make some statement in reply to the observations I made in the budget debate, as well as in the committee stage, with respect to this feature of the budget and with respect to the normal tax. It would be interesting to hear what the minister's reactions are. I did not, of course, analyse all the resolutions, because that would be a hopeless task to attempt at one time, and I thought we could only deal with it in chapters. I trust that we can deal with the whole matter in an orderly way, and that the discussion will not be allowed to get out of bounds as it has done in the last day or two, because if we go on in that way we will not get through.

Mr. ILSLEY: Mr. Chairman, I had intended to prepare a careful statement on one or two points as to which I think there is quite a widespread misapprehension. but I have not had time to do it. I have some figures here, though, on these important points which I shall present to the committee, and I shall do it slowly and systematically. I shall not answer all the questions which the leader of the opposition asked the other day, but after we have finished with this phase I can deal with the other questions he asked.

I want to deal first with the question whether we have increased the burden disproportionately on the low income groups. It has been said in the press, by the leader of the opposition, the leader of the Cooperative Commonwealth Federation group, and by others, that the proportionate increase is greater on the lower income groups than on the higher income groups.

Mr. HANSON (York-Sunbury): Does not the chart indicate that? Mr. ILSLEY: Taken just in that way, that is true, but it is of no importance, of no significance; it would have to be that in any increase in taxation. For instance, if you are taxing a man at the rate of 10 per cent and you raise his income tax by 50 per cent, you have taxed him at the rate of 15 per cent. But if you are taxing a man at 70 per cent and you increase his rate by 50 per cent you are taxing him at 105 per cent, which is impossible and absurd. Therefore, to apply that criterion.

What is the right criterion to apply in determining whether increases have been progressive; that is to say, whether they have been a little heavier or much heavier as the income goes up? The officials of the department, the experts, tell me that the fairest criterion is this: to take the increase in tax expressed as a proportion of what the taxpayer has left this year before the increase takes place. That is to say, each of us has an income, each of us pays a tax under the old rates, and we have left in our hands after paying that tax a certain amount. If when the new and higher rates come along, the . increase in the tax which we all have to pay rises in proportion, expressed as a ratio of the amount we have left, then you have effected a real progressive increase. You have increased the tax more on the higher income groups than you have on the lower income groups. That is the fairest criterion, and I think the generally accepted one.

Applying that criterion I have here a table that I shall place on *Hansard* to illustrate the progressive character of the proposed changes in income tax. The table is as follows:

TABLE TO ILLUSTRATE PROGRESSIVE CHARACTER OF PROPOSED CHANGES IN INCOME TAX

Increase in tax and minimum savings requirement expressed as a percentage of the income remaining after present tax is paid

	Single		Married			Married, 2 dependents			
Income	Increase in tax	Savings	Total	Increase in tax	Savings	Total	Increase in tax	Savings	Total
	%	%	%	%	%	%	%	%	%
\$ 700 850 1,000 1,250 1,750 2,000 2,000 3,000 4,000 7,500 10,000	$\begin{array}{c} -0.2\\ 0.1\\ 0.4\\ 2.3\\ 3.9\\ 6.0\\ 7.5\\ 8.8\\ 10.4\\ 10.7\\ 11.2\\ 11.1\end{array}$	$3 \cdot 0$ $7 \cdot 4$ $8 \cdot 9$ $9 \cdot 3$ $9 \cdot 4$ $9 \cdot 5$ $9 \cdot 7$ $9 \cdot 8$ $9 \cdot 8$ $10 \cdot 6$ $10 \cdot 9$ $11 \cdot 7$ $12 \cdot 5$	$\begin{array}{c} 0.8\\ 7.5\\ 9.3\\ 9.7\\ 11.7\\ 13.4\\ 15.7\\ 17.3\\ 18.6\\ 21.0\\ 21.6\\ 22.9\\ 23.6\end{array}$	$ \begin{array}{c} - \\ -2 \cdot 1 \\ 2 \cdot 4 \\ 2 \cdot 2 \\ 3 \cdot 1 \\ 5 \cdot 7 \\ 7 \cdot 1 \\ 8 \cdot 7 \\ 9 \cdot 5 \\ 9 \cdot 9 \\ 9 \cdot 9 \\ 9 \cdot 9 \end{array} $	$\begin{array}{c}\\\\ 2\cdot 1\\ 7\cdot 6\\ 9\cdot 9\\ 10\cdot 9\\ 11\cdot 2\\ 11\cdot 5\\ 12\cdot 0\\ 12\cdot 4\\ 13\cdot 7\\ 14\cdot 4\end{array}$	$\begin{array}{c} \\ \\ 0 \\ 10 \cdot 0 \\ 12 \cdot 1 \\ 14 \cdot 0 \\ 16 \cdot 9 \\ 18 \cdot 6 \\ 20 \cdot 7 \\ 21 \cdot 9 \\ 23 \cdot 6 \\ 24 \cdot 3 \end{array}$	$\begin{array}{c} - \\ - \\ - \\ 0 \cdot 5 \\ - \\ 0 \cdot 7 \\ 0 \cdot 3 \\ 2 \cdot 4 \\ 4 \cdot 3 \\ 4 \cdot 3 \\ 6 \cdot 1 \\ 7 \cdot 7 \\ 8 \cdot 8 \\ 8 \cdot 7 \end{array}$	$\begin{array}{c}\\\\ 1\cdot 3\\ 1\cdot 7\\ 3\cdot 2\\ 5\cdot 6\\ 9\cdot 1\\ 12\cdot 0\\ 13\cdot 6\\ 14\cdot 0\\ 15\cdot 4\\ 16\cdot 5\end{array}$	$\begin{array}{c}\\\\ 0.8\\ 1.0\\ 3.5\\ 8.0\\ 13.4\\ 16.3\\ 19.7\\ 21.7\\ 24.2\\ 25.2 \end{array}$
20,000 30,000 50,000 100,000 500,000	$ \begin{array}{r} 17 \cdot 7 \\ 22 \cdot 2 \\ 30 \cdot 1 \\ 44 \cdot 8 \\ 68 \cdot 6 \end{array} $	$ \begin{array}{c} 7 \cdot 3 \\ 5 \cdot 4 \\ 3 \cdot 7 \\ 2 \cdot 3 \\ 0 \cdot 9 \end{array} $	$\begin{array}{c} 25 \cdot 0 \\ 27 \cdot 6 \\ 33 \cdot 8 \\ 47 \cdot 1 \\ 69 \cdot 5 \end{array}$	$ \begin{array}{c} 16.7 \\ 21.1 \\ 28.6 \\ 42.3 \\ 61.5 \end{array} $	$ \begin{array}{r} 8 \cdot 6 \\ 6 \cdot 3 \\ 4 \cdot 3 \\ 2 \cdot 6 \\ 1 \cdot 0 \end{array} $	$ \begin{array}{c} 25 \cdot 3 \\ 27 \cdot 4 \\ 32 \cdot 9 \\ 44 \cdot 9 \\ 62 \cdot 5 \end{array} $	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	$ \begin{array}{r} 9 \cdot 8 \\ 7 \cdot 4 \\ 5 \cdot 1 \\ 3 \cdot 1 \\ 1 \cdot 2 \end{array} $	$ \begin{array}{r} 26 \cdot 1 \\ 28 \cdot 3 \\ 33 \cdot 5 \\ 45 \cdot 1 \\ 62 \cdot 6 \end{array} $

It would take a long time for me to go through all these figures, because it is quite a table, but I will take the tax alone and read a few figures to the house which will leave no doubt as to the very carefully worked out progressive character of these increases in income taxation.

Let us take a single man having an income of \$700. The percentage of the increase in tax to what he has left after his present taxation is a minus quantity, minus 2 per cent; that is a decrease. At \$850, the increase in the tax is .1 per cent; at \$1,000, the increase is .4 per cent; at \$1,250, the increase is .4 per cent; at \$1,500, the increase is 2.3 per cent; at \$1,750, the increase is 3.9 per cent; at \$2,000, the increase is 6 per cent; at \$2,500, the increase is 7.5 per cent; at \$3,000, the increase is 8.8 per cent; at \$4,000, the increase is 10.4 per cent; at \$5,000, the increase is 10.7 per cent; at \$7,500, the increase is 11.2 per cent; at \$10,000, the increase is 11.1 per cent; at \$20,000, the increase is 17.7 per cent; at \$30,000, the increase is 22.2 per cent; at \$50,000, the increase is 30.1 per cent; at \$100,000 the increase is 44.8 per cent; and with an income of \$500,000, the increase is 68.6 per cent.

Now take the married man. There we begin with the married man who has an income of \$1,250 because there is no tax unless the married person earns \$1,200.

Mr. HANSON (York-Sunbury): Normal tax.

Mr. ILSLEY: Either normal or graduated. Take the married man with an income of \$1,250. The percentage of the increase in tax to what he has left after his present taxation is a minus quantity, minus 2.1 per cent; with an income of \$1,500, there is an increase of 2.4 per cent; and so on down the table.

The next objection was that we have treated the married taxpayer unfairly as compared with the single taxpayer, and that is probably the most telling point, if it were valid, that has been made in the press and in the house. Let me, as I did before, confine myself to tax increases alone, leaving out compulsory savings. I will put this table on *Hansard*:

44561-274

INCREASE IN TAX ALONE

(AMOUNTS ROUNDED TO NEAREST DOLLAR)

Transa	Ciaula	Married				
Income	Single	No children	2 children	5 children	8 children	
\$1,250	5	-25	- 6	_		
1,500	30	34	-10°			
2,000	101	56	47		_	
2,500	151	126	102	30		
3,000	202	184	119	122	17	
4,000	319	289	218	237	210	
5,000	396	378	327	269	372	
7,500	570	555	517	430	438	
10,000	712	682	636	542	420	

Looking at this table, it will be seen that the single taxpayer with an income of \$1,250 has had his tax increased by \$5; the married man, without children, and with that same income, has had his tax decreased by \$25; the married man with two children has had his tax decreased by \$6. I admit that that is just a little out of line from what the proper principle would be, but slight departures are necessary in the application of the formula; that cannot be avoided. There is just one other difference in this whole table. The single taxpayer having an income of \$1,500 has had his tax increased by \$30, and the married taxpayer by \$34: that is the second failure of the formula to get ideal results and. as hon. gentlemen will note, it is the last one. The married man with \$1,500 and two children has had his tax decreased by \$10. At \$1,750 the increase for the single man is \$58, for the married man without children it is \$36, and for the married man with two children it is \$5. At \$2,000 the increase for the single man is \$101, for the married man without children it is \$56, and for the married man with two children it is \$47. At \$2,500 the increase for the single man is \$151, for the married man without children it is \$126, and for the married man with two children it is \$102. At \$3,000, the increase for the single man is \$202, for the married man without children \$184, and for the married man with two children, \$119.

Mr. HANSON (York-Sunbury): Just there: does not the single man with an income of \$3,000 pay \$1,064?

Mr. ILSLEY: Yes, I believe so.

Mr. HANSON (York-Sunbury): How much did he pay on his 1941 income? [Mr. Ilsley.] Mr. ILSLEY: That is, including the compulsory savings. We do not know how much of that he will pay the government. He may not pay anything.

Mr. HANSON (York-Sunbury): What is the tax?

Mr. ILSLEY: It is \$824.

Mr. SLAGHT: The minister is speaking of the increase as so-and-so; is that over last year?

Mr. ILSLEY: Over last year. The point I am trying to make is this. The argument has been that we have pooled these two categories and in some way have done an injustice to the married man; that we have narrowed the spread between the single man and the married man. That is not so. With the exception of the two instances which I gave, in every case we have widened the spread. We have increased the tax more on the single man than we have on the married man, and still more than on the married man with two children.

Mr. SLAGHT: Would not that depend upon whether you were pretty bad last year or not?

Mr. ILSLEY: Well, if it is an attack on last year's rates, that is another thing, but I thought it was an attack on this year's rates. Assuming that last year's rates gave a proper relationship between the single and the married man, we have done even better for the married man, and still better for the married man with children this year, on the lower categories. I will go along. At \$4,000 the increase for the single man is \$319; for the married man, \$289; and for the married man with two children, \$218. At \$5,000 it is \$396 for the single man, \$378 for the married man, and \$327 for the married man with two children. At \$7,500, it is \$570 for the single man, \$555 for the married man, and \$517 for the married man with two children. At \$10,000 it is \$712 for the single man, \$682 for the married man, and \$636 for the married man with two children.

Mr. BLACKMORE: Before the minister goes on, do these figures allow for the exemptions? Is it the net result which the minister has been giving us?

Mr. ILSLEY: That is right. The hon. member means, exemptions for the children and everything?

Mr. BLACKMORE: Yes.

Mr. ILSLEY: Yes. I have taken the married man; he is taxed on a different basis from the single man, and then the married man with two children has certain deductions or exemptions for his children.

Mr. BLACKMORE: That is all included?

Mr. ILSLEY: That is all included. In regard to this table which I said I would put on *Hansard* I merely gave the figures for single men, married men, and married men with two children. The table carries it out to the married man with five children and the married man with eight children; this will give further information and bear out the general proposition which I have stated.

Let me now give the difference in figures. This is the difference in the tax payable by the single person and the tax payable by the married person, the married person with two children, with five children and with eight children. The difference last year between the tax payable by a single man and a married man with children, at \$1,500 was \$142; the difference this year is \$150.

Mr. MacNICOL: Over last year?

Mr. ILSLEY: No. Let me say it over again. I am giving now the difference last year in the tax payable by a single man with \$1,500 and a married man without children, at \$1,500—

Mr. MacNICOL: That is the difference between last year and the year before?

Mr. ILSLEY: No. I am taking the difference last year. I am talking now purely about the tax for last year as between the single and the married man. At \$1,500, the difference between the tax on the single man and on the married man without children was \$142; this year it is \$150. The difference last year, at \$1,500, between the tax on the single man and the tax on the married man with 44561-2743

Income War Tax Act

two children was \$182; this year it is \$318. The difference last year, on the same income, between the tax on the single man and on the married man with five children, was \$217; the difference this year is \$367. The difference last year, at \$1,500, between the tax on the single man and on the married man with eight children, was \$217; this year it is \$367. I have similar figures for the \$2,000, \$2,500, \$3,000, and \$5,000 levels. The differences that I have been giving for this year are the differences in the total take, including the compulsory savings.

Mr. HANSON (York-Sunbury): Of course that complicates the situation.

Mr. ILSLEY: Not if a person just thinks about it a little. I have here also the difference in tax. If any hon, member thinks it would be better to leave out the compulsory savings entirely and take the tax I have the figures here for that. With a minor exception the same result is obtained, that the difference between the tax on the single man and the tax on the married man last year and the tax this year has been widened.

An hon. MEMBER: Will the minister put that on Hansard too?

Mr. ILSLEY: Yes, I will put that whole thing on *Hansard*. Here are the figures:

Difference between the taxes payable by single persons and by married persons, as specified, under previous and proposed tax rates.

Income	Married person with						
Previous rates	No children	Two children	Five children	Eight children			
\$1,500	\$142	\$182	\$217	\$ 217			
2,000	165	280	340	340			
2.500	200	360	450	475			
3,000		407	572	622			
5,000		597	932	1,197			

Proposed rates-Total tax, including refundable portion.

	No children	Two children	Five children	Eight children
\$1,500	\$150	\$318	\$367	\$ 367
2,000		386	601	601
2.500		391	715	826
3,000		396	720	1,030
5.000		466	790	1,114

Proposed rates-Net tax, excluding refundable

portion	No children	Two children	Five children	Eight children
\$1,500		\$222	\$ 247	\$ 247
2.000	1	334	441	441
2,500	and the set of the	409	571	626
3,000		490	652	807
5,000	350	666	1,059	1,221

Mr. HANSON (York-Sunbury): Does the minister contend that his figures answer the point I made, that there is not sufficient distinction between the bachelor and the married man, having regard to the latter's duties and responsibilities? That is the point of my argument.

Mr. ILSLEY: I do not know what the test is that one applies. We tried to preserve as much tax advantage this year for the lower categories as they had last year.

Mr. HANSON (York-Sunbury): The minister means he has tried to preserve the same ratio?

Mr. ILSLEY: Yes. Let me explain what I mean by that. In the taxes for last year there was a \$400 exemption in the graduated tax for each child. The first or lowest rate was 15 per cent; that would give a tax advantage to a person in that income rate of \$60 for each child. We thought it would be a little harsh perhaps to start at the lowest so that we took the second lowest, which was 20 per cent. The people who have incomes of-I do not know exactly-\$2,500, let us say, to be in the 20 per cent class, got a tax advantage last year of \$80 a child. This year, therefore, we put in the graduated tax a tax advantage of \$80 a child. That gave a greater tax advantage than last year to the \$1,000 man, to the \$1,500 man, to the lower income people; but it gave a smaller tax advantage to the taxpayers with incomes of say from \$2,500 or \$3,000 up.

It must be borne in mind that a person paying on an income of \$100,000—I shall just have to take figures that will not be accurate —might have a tax advantage of perhaps 80 per cent. He would have to have a pretty big income to have that, but let us say 70 per cent; there would be many married men who would have a rate of 70 per cent, and with \$400 off for a child they would receive a tax advantage last year of \$280.

Mr. HANSON (York-Sunbury): That is not very much. In the case of an income of \$500,000 it would be 98 per cent.

Mr. ILSLEY: It may not be very much. These people in the higher income groups are all flattened down so that they do not get any more tax advantage than men in the lower income groups.

An hon. MEMBER: They do not need it.

Mr. ILSLEY: We flattened the whole thing right along the line. We have given the poor man a little more tax advantage than he had last year and the richer man a little less, but we have given the same deduction right across the line.

[Mr. R. B. Hanson.]

Mr. GREEN: Would it not have been fairer if it had been calculated on the lowest taxable rate of this year's budget, which is 30 per cent? This exemption of \$80 works out on a basis of 20 per cent. It does not help much to refer back to last year.

Mr. ILSLEY: The only reason we took the 20 per cent rate this year instead of 30 per cent is that we are giving back half of it. We are giving the taxpayer a certificate for a return of half after the war.

Mr. GREEN: But he cannot eat the certificate.

Mr. ILSLEY: We have to raise a lot of money in some way, and if the people did not let us have it in this way we would expect them to lend it to us voluntarily. We would have to get it, that is all, or we could not finance. And a great many are lending. It is to catch the man who does not feel any obligation to lend that we have made him lend this money by the compulsory savings feature. That is why it is fairer to take 30 per cent in taxes than 20 per cent.

Mr. GREEN: I suggest that the minister consider that feature, whether it would not be wise to make it on the basis of 30 per cent, which would give everyone an exemption of \$120 for a child.

Mr. ILSLEY: Would the hon. gentleman suggest that we give no money back? That is what goes with it.

Mr. GREEN: I was going to ask whether or not one of the tests applied in drawing up this budget was the amount of money a person will have left to live on. It seems to me, from the explanation given to-day and from the general frame of the budget, that little consideration has been given to that aspect of it. Where the tax has been increased so greatly the exemption for the people with the lower incomes should have been increased also, so that they can at least get by. That is the test—what a person has left to live on; and I doubt very much whether it has been used in drawing up this budget.

Mrs. CASSELMAN: The budget allows a married man to deduct \$150 for his wife?

Mr. ILSLEY: That is right.

Mrs. CASSELMAN: If the wife is working and has a separate income, that is also taxed. Does that deduction of \$150 still apply to the man's income?

Mr. ILSLEY: By the amendment of which I gave notice the other day the wife can

earn as much as she likes without its affecting the deduction of \$150 from the husband's tax. That does not apply to investment income of the wife, but she can earn as much as she likes. The way the budget was at first, if she earned more than \$660 she was taxable as a single person and the married man lost his exemption; he also was taxable as a single person.

That was on the theory that the \$150 deduction from the tax of the married man was made in order that he might support his wife; that if he was not supporting his wife he did not need it, and therefore we did not allow it. In actual working out, it means that married women had a great incentive to stop work when they had earned \$660, and not on any account to earn more than that, because if they did they immediately increased their husband's tax bill by at least \$150, and I think something additional under the graduated tax. Therefore they started to leave industry, and I think some of the government departments, and there was a great uproar in the country about the folly of the government in framing a tax scheme which would make it desirable for married women to leave industry and the government service when we needed the services of everyone, as we do to-day. We had to cut that out in order to give the married women some incentive to remain at work. I do not want to raise grievances for people, but of course the person who has the grievance now is the single woman, who sees working beside her a married woman who has a husband to support her, and whose husband is getting an allowance on the assumption that he has a home and is supporting his wife when actually he is not supporting her, because she is working. But we cannot help it; we have to get these people to work and keep them at work, so that we had to make that change.

Mrs. CASSELMAN: Generally speaking the wife who works is either doing a double job, looking after her work and looking after her home, or employs extra help, perhaps a maid or a nurse for the children. I think if she is maintaining a home and working as well, any objection might be answered in that way.

Mr. ILSLEY: I will get plenty of letters from single women, as I have in the past, complaining about this favoured treatment of married women.

Mr. SLAGHT: Would it be all right for the minister to table some of those letters?

Mr. ILSLEY: Yes, I think I could table them all without embarrassment. But if we

get any complaints in this connection I will send an excerpt from *Hansard* of the remarks of the hon. member for Edmonton East (Mrs. Casselman).

Mr. GILLIS: I should like to come back for a few moments to the question raised by the hon. member for Yorkton (Mr. Castleden). So far as I am concerned the answer given by the Minister of National Revenue was far from satisfactory, in regard to the refundable portion of the tax. This portion is to be deducted at the source, but the minister says no scheme has been worked out as yet with respect to allowances, and his answer would lead anyone to believe that this was a rather difficult job. That may be so with regard to the individual who is working for a small organization, or who is employed on a farm on a seasonal basis, or something of the kind, but the regulations definitely make provision for allowances in regard to the portion of the tax which will be returned, provided that a certain part of the income is devoted to mortgage payments, hospital bills or insurance premiums. I do not see that there would be any difficulty in having most of the workers in Canada register their mortgages with their employers, as well as their insurance premiums. These are fixed obligations; they know what they will be at the first of the year, and the deductions do not begin until September. The employer is making the deduction and the return to the department, and there would be no additional expense or clerical work involved if the employer were given to understand that it was part of his obligation to advise his employees to register with him their mortgage and insurance obligations. Of course the hospital end of it is something they will have to take care of themselves.

I am not so much concerned with the income tax provisions of the budget. I think anyone who has sufficient income to have any difficulty in figuring out his tax at least is not going to be in want. I should like to clarify a statement made by the hon. member for St. Antoine-Westmount (Mr. Abbott) which might be misleading, though I do not think the hon. member meant it in the way it reads. He said that 75 per cent of the married people in Canada would be in the income bracket of \$1,500 per year.

Mr. ABBOTT: What I really meant, if I may interrupt, is that 75 per cent would be in that bracket or lower.

Mr. MacINNIS: Mostly lower.

Mr. GILLIS: I should think the statement would be correct if the hon. member had said 20 per cent, but if he means less than

\$1,500 he would be correct. The groups about which I am concerned are those affected by the normal tax. I believe the exemption of \$660 is too low; I think it should be raised to \$750. I believe the exemption of \$1,200 for the married man, for normal tax purposes, is too low; I think that should be raised to \$1,500. This tax is deducted at the source, and it affects everyone in the low income groups. People in that category are merely getting a subsistence at the present time, and nothing should be taken below \$1,500 and \$750, as the case may be.

This tax cannot be properly discussed without relating it to wage rates and the cost of living bonus. I am not going into the question of wage rates, but a large percentage of the workers of Canada, particularly those in the non-essential industries, have already suffered a 15.2 per cent drop in their standard of living on account of the war. They do not come under the cost of living bonus arrangement; it concerns only those employed in the war industries. There are many people who are said to be in the non-essential industries, though they are not non-essential; for if they were they would not be employed to-day, therefore I think the expression "nonessential" is misleading. They are catering to and caring for the needs of the nation in war time; they are essential, or they would not be there. Their wage rates have remained unchanged; they have not been given the benefit of the cost of living bonus, though the cost of living has increased by $15 \cdot 2$ per cent. They were excluded from that benefit under order in council 8253, though I understand some amendment has been made since that time, providing for some increase in the cost of living bonus over the last basic period, which was October, 1941. I think the Department of Finance should understand, with respect to this normal tax, that it affects particularly this group which already has made a sacrifice equal to a lowering of their standard of living to the extent of 15.2 per cent. I believe that situation could be overcome by increasing the exemption as I have suggested. If you cannot amend the wagefreezing regulations to take care of these people, you could give them compensation by increasing the exemptions that apply under the normal tax.

Then there is another category which I think should be considered. Last evening the Ottawa Journal stated that the minister was considering some adjustment in the tax arrangements affecting the married man, as well as some modification of the income tax as it applies to officers serving in Canada. I am not particularly concerned with officers [Mr. Gillis.]

as such, but I think the tax as it applies to them at the present time is unjustifiable. I imagine that in exempting officers serving overseas, or those on ships on the Atlantic, or those in Newfoundland, and so on, the department went on the assumption that the men serving in those theatres were exposed to a certain amount of risk for which they should receive some compensation, and this tax arrangement was made accordingly. I see very little distinction or difference to-day between the officer serving on the east or west coast of Canada and the officer serving in England. They are merely standing to against the time when they shall go into action. Their duties are just as strenuous as the duties of those in the old country. It is a stand-to. They are not engaged in actual combat in either place, and the tax arrangement has placed the lower ranking officers, from captain and lieutenant down, in the position where some will revert back to the ranks in order to get clear of this burden. I have a letter from a man on one of the coasts who resigned his commission two weeks ago on the ground that if he reverted to the rank of warrant officer it would result in enhancing his financial position.

I submit that there should be some readjustment with respect to officers, and I was waiting for the minister to say something in that regard. If the Journal is correct, I submit that the minister should make a statement to offset the impression that exists. These are two categories that are discriminated against. The question of risk should not be taken into consideration. A man may be in action on the east coast or the west coast before a man goes into action in the old country. Men who are on the naval patrol boats on the coast are exempt, and so are the officers on the training ships off the harbours. But the officer who is responsible for organizing the defences on the coasts, working twelve and fourteen hours a day-and most of these men work such long hours-are obliged to pay income tax and therefore suffer a considerable cut in their pay. These two matters should be rectified.

There is another point that should be considered. As regards the return of hospital expenses, that is a justifiable arrangement, and there is a group of workers in Canada in most of the plants who come within this category. They maintain insurance schemes of their own. They contribute to the maintenance of benevolent associations, hospital protection and so on, and doctors' fees. They are making a contribution of perhaps ten dollars a month maintaining these services for themselves. In the event of sickness or surgical operation they

are protected, but actually they have a financial outlay that should be taken into account in connection with any taxing arrangement. It is not possible for the Minister of Finance to keep his finger on all these matters, but in his taxing arrangements, I submit, if they are to be equitable, all these factors that eat into the economic life of the people should be considered.

There is another aspect of the cost of living bonus which is not much discussed but which is important. A man has five or six or seven children going to school. He alone is working to support them. There is one cost of living bonus going into that house. Next door his neighbour may have five or six grown boys and girls, all employed in plants, and five or six cost of living bonuses are going into that house. I suggest that the cost of living bonus arrangement is not equitable. It is not handled fairly.

Mr. MITCHELL: Would the hon. member suggest that when a wage structure is established it should be on the basis of the number of children? He knows the classical answer of the labour people, that you should pay the same wages to the single man because he is saving to get married. If the hon. member carried his suggestion to its logical conclusion he would base wages on the number of dependents and children.

Mr. GILLIS: You cannot give a stock answer in this case. We are discussing a budget, and we are not living in normal times; we must therefore take abnormal action. If we were living in normal times and the entire economy of the country were devoted to taking care of the citizens of the country, a proper wage structure would be the family allowance. But in making taxing arrangements now I think the matters I am attempting to describe should be taken into consideration in order to avoid hitting one group much harder than another. There are non-essential workers who have suffered a 15 per cent decrease in the standard of living by reason of the fact that they do not come under the cost of living bonus. Such people should not be taxed in the same proportion as those in other industries who have been compensated for the increased cost of living.

This was what I rose chiefly to say. Had the minister made some statement with regard to the question of officers, and as to the manner in which exemptions. are to apply, as outlined by the *Journal*—apparently they knew more about it than the minister did—I would not have taken up the time of the house. I would ask him specifically

to consider raising the exemptions in the case of the normal tax from \$660 to \$750. That is only \$12.50 a week or \$750 a year, and with taxes coming out of that there is not much left to live on. The sum of \$28 a week is not much to maintain a family when all other expenses are taken into account. The amounts of \$660 and \$1,200 in the normal tax are far too low. If the suggestion I make were adopted it would do much to encourage many of these people in the lower income groups to accept the other taxing arrangements.

Mr. HANSON (York-Sunbury): There is no exemption on the normal tax.

Mr. GILLIS: Yes, there is an exemption.

Mr. HANSON (York-Sunbury): That is on the graduated tax.

Mr. GILLIS: There is an exemption below \$660 on the normal tax.

Mr. BENCE: One point mentioned by the hon. member for Cape Breton South I must take issue with, and that is the suggestion that life insurance should be registered with employers at the beginning of the year. In my judgment the personal affairs of employees are their own business and that of the administration; it is something between them and the government and no one else. Employees with whom I have discussed the matter, and, I believe, the majority of employees throughout Canada, would take that position. There is going to be considerable difficulty in collecting these refundable payments, which are not to be paid back for some considerable time. After all, as has been pointed out, that money is required to meet obligations at the time it is paid to the employee. When the insurance premium or the mortgage payment is due it has to be paid, and if a man has to wait for months before he can get his money he will be put in a difficult position and in some instances lose his life insurance.

Mr. GILLIS: That is what I was trying to overcome.

Mr. BENCE: The money is taken from him and repaid afterwards, as I understand. He is not allowed to keep, at the time his monthly pay cheque comes in, the amount that would be refundable under the provisions of section 7. He has to wait to get that money back. I do not think the employee should be put in the position of revealing his personal affairs to his employer. A scheme like this might be worked out. The amount of the tax which covers that portion, with the exception of the amount taken by way of compulsory savings, or the refundable portion, could be taken off month by month, whenever pay-day comes around. The portion that is refundable could be paid at the time the income tax return is made out. I believe there will be considerable difficulty if people are not allowed to have this money to take care of obligations. I have other suggestions to make in connection with resolution No. 7.

Mr. ILSLEY: I think we had better take them up resolution by resolution. My hon. friend and the hon. member for Cape Breton South (Mr. Gillis) have been discussing resolution No. 25. When we reach that resolution we will have a discussion on it. The two points of view expressed are important, and my colleague, the Minister of National Revenue, will be prepared at that time to discuss the matter of procedure.

Mr. BOUCHER: Has the minister considered explaining the tax by showing what an individual will have left after paying the tax and the compulsory savings? This is something which is of interest to the people. There is one class of taxpayer who is paying on life insurance, on annuities and perhaps on a mortgage, and he is given certain exemptions from his compulsory savings. On the other hand, to many young married people who are just starting out in life to raise a family, a home is most essential, but these schedules will give them "exemption only on payments on mortgages which were in existence before the budget was delivered.

Mr. ILSLEY: That is covered by resolution No. 7.

Mr. BOUCHER: It has an effect on this resolution, because we should consider what is left to the individual. In many areas of Canada there is a shortage of houses, and every inducement should be offered to persons newly-married to buy houses. If we knew what would be left to persons in the various income groups after they had paid all taxes, we would be better able to discuss this matter.

Mr. ILSLEY: If the hon, gentleman will turn to page 3582 of *Hansard* he will find the taxes on various incomes, and then it is just a matter of subtraction.

The CHAIRMAN: I find myself quite unable to link up some of the remarks that have been made with resolution 1. I have allowed some latitude in the hope that it would shorten the discussion later, but I may be mistaken.

Mr. NICHOLSON: I followed with a great deal of interest the remarks last night of the [Mr. Bence.] hon. member for Broadview (Mr. Church), who was very critical of this tax. The hon. member and many others seem to find it difficult to realize that about a million and a quarter of our Canadian people are now either in the armed forces or working in munitions industries. It is physically impossible to carry on a war of this sort without making a great many adjustments in our national life. We must face the fact that to a greater extent than ever we must see more and more of our consumer goods diverted directly to war purposes and less and less available for civilian use.

The hon. member for Broadview contended that this income tax would take away all incentive, that the people would be left with very little. I should hate to think that when the session is over hon. members who have professions will refuse to do any work because they will be compelled to pay the government 50 cents or more on every \$1 that they earn. I should hate to think that people who are in the favoured position of being able to pay an income tax are going to rest on their oars because the government has found it necessary to impose taxes of this kind. As I said before, there is no easy way under the sun to carry on a war of this sort.

Members of the minister's own party have offered criticisms regarding the methods he is using to finance the war, but if they were in his position I am sure they could not devise any scheme which would make it easy for the Canadian people to maintain a million and a quarter persons in industry and in the war services. The hon. member for Broadview said that people would have nothing left. I was interested in the table placed on the record this afternoon by the minister, and I commend him for accepting the suggestions made by members of this group on former occasions. On other occasions we have suggested that it is not the amount of tax that the individual pays that matters; it is the amount he has left after the tax is paid. I appreciate the difficulty the minister must have in steering a course midway between our point of view and the point of view of members like the hon. member for Broadview.

I have prepared a table showing the amount per day that is left to a Canadian this year as compared with what he had left last year, assuming that there are six days in the week and fifty weeks in the year. All my figures are for single persons without dependents. A man who had an income of \$1,000 last year paid a tax of \$87 which left him \$3.04 per day; his new tax, plus the refundable portion—we must remember that the refundable portion is imposed so that he may not use consumer goods—amounts to \$172, which leaves him \$2.76 per day. That is the reduction in his standard of living. A single person who had an income of \$2,000 last year was taxed \$340, which left him \$5.50 per day; this year he is paying a tax of \$601, which will leave him \$4.66 per day. A man with an income of \$5,000 last year paid a tax of \$1,332 which left him \$12.22 per day; under the new tax he will pay \$2,128 which will leave him \$9.57. Again there is a drastic reduction. With an income of \$10,000, he paid last year a tax of \$3,600 which left him \$21.33 per day; under the new tax he will pay \$5,112 which will leave him \$16.29 per day. With an income last year of \$20,000 he paid \$9,105, which left him \$36.31 per day; under the new taxes he will pay \$11,829 which will leave him \$27.23 per day. With an income of \$30,000 last year he paid a tax of \$15,082, which left him \$49.72 per day; this year he will pay \$19,196, which will leave him \$36.01 per day.

With an income of \$50,000 he paid a tax last year of \$28,392, leaving \$72.02 per day. The new tax will be \$35,703, leaving \$47.65 per day. With an income of \$100,000 he paid a tax last year of \$64,347, leaving \$118.84 per day. The new tax will be \$81,137, leaving \$62.87 per day. As the minister has pointed out, there is a steep increase there. The man who is privileged to have an income of \$500,000 paid, last year, a tax of \$411,720, leaving \$294.26 a day, and this year he pays a tax of \$473,104, leaving \$89.65 per day, which still is a lot of money.

I should like the minister to continue this policy of taxing heavily those that have the money available. I know that it is going to make drastic changes in the way of living of Canadian people, but who is there who can expect to find himself at the end of the war in as favourable a position as he was at its commencement? Those in the highest income brackets are citizens to whom Canada has been very kind, and no sacrifices which they can make, financial or otherwise, will be too great to see to it that Canada assures those in our armed forces-and we must do this-that they will have better equipment and better food than ever before and that those in our war industries shall be assured of adequate food, shelter and clothing. While it is true that so far those in war industries and those at home, with the exception of the farmers on the prairies where the income has been derived largely from wheat, have been able to enjoy a higher standard of living than they have ever known before-and it is a serious reflection on our economy before the war-we cannot expect that state of affairs to last indefinitely. Sooner

Income War Tax Act

or later we must face up to the fact that those in civilian life will have less to spend, and we must be prepared to have our standard of living restricted, as the minister is proposing to do by the drastic tax increases he is making this year. When the budget is brought down next year I hope that those in the higher income brackets will be prepared to make even greater sacrifices than the present resolutions call for.

Mr. O'NEILL: Mr. Chairman, there is one thing I should like to say at the outset, and it arises out of the speech which was made by the hon. member for Parry Sound (Mr. Slaght) on Wednesday night in this chamber. In reply to the hon. member, page 4270 of *Hansard*, the Minister of Finance said:

If my hon. friend believes that, then he has no confidence in the financial policies of the administration. He should not be a supporter of the financial policies of the administration, because his attack is upon fundamentals.

Since 1935, and for a considerable time before that, I have been pretty well in agreement with the principles expressed by the hon. member for Parry Sound the other evening, and quite naturally I took that remark of the Minister of Finance as applying to myself as well as to the hon. member for Parry Sound. There may be some merit in the suggestion that now is not the time to discuss any change in the monetary policy of this country, but I do not think there can be any doubt that there must be a change from the present-day way of doing our financing. I had not intended to say anything about the matter at this time, but since the question has been raised, and in view of the remark that was made by the Minister of Finance, it is up to me to say something about it.

During the election of 1935 I expressed views very much the same as those expressed here the other night by the hon. member for Parry Sound and by the hon. member for Vancouver-Burrard (Mr. McGeer). I expressed those views on the public platform everywhere in my constituency. I was supported on that platform by some of the most prominent members of the Liberal party, not only in the west but in the east, and they raised no objection to my voicing those opinions. Those opinions were also voiced by me to the Liberal party before I received the nomination. If there were any objections to those opinions, that was the time to make them, and had objection then been made, they should never have given me the nomination.

Mr. HOMUTH: The Prime Minister himself was pledged to that platform, was he not?

Mr. O'NEILL: If we can judge by what was being said at the time, I believe the hon. member for Waterloo South is quite correct, because the Prime Minister said that the credit of the country would be used for public need.

For a great number of years prior to this war, young men and young women of Canada were going round the country looking for a job. Men were riding the rods on the freight trains. But as soon as the war breaks out we find we have plenty of money. I cannot see where there is any more money or credit in the country to-day than there was in those days. I cannot see why it is not possible to raise huge sums of money for an emergency of any kind, whether it be a war-time or a peace-time emergency. It does not appear to me to make any difference whether the emergency be an earthquake, a flood, a depression, or a war. If money is required to feed and clothe our people, you should be able to get it, and I believe that you can get it. But I do not believe that you can go along eternally financing the way we have been doing.

The orthodox argument is that raising money by bonds and paying interest on them is perfectly right and legal, but that if you raise money by bonds and do not pay interest on them, that is no good. I cannot see that it makes a particle of difference. I cannot see that argument at all.

I have not changed my mind with respect to the ideas I held in 1935. As a matter of fact, as the years go by I am becoming more and more convinced that the opinions I held at that time were sound. I believe that the Minister of Finance is making a wonderful job of our financing, and I did not get up here at this time to try to embarrass him. Far from it. But there are some things which I think should be taken into consideration.

I am very much in agreement with the hon. member for Cape Breton South (Mr. Gillis) that we should not tax people with incomes as low as \$660 and \$1,200, for single and married respectively. In 1940 I advocated that the minimum incomes that should be taxed should be \$750 and \$1.500, for single and married respectively. I still hold that view. You have to tax the majority, and it is true that the great majority of the people are in the low income brackets. But when you start taxing very low incomes you are taking money that is required for the very essentials of life, and you are running down the physique of the nation. I do not think there can be any question about that. When this war started and we called up young men for the army, we found that a very large percentage of them

were not fit for service because they had been undernourished. Many of them were rejected because they had bad teeth, and the only reason they had bad teeth was that they did not have money enough to pay a dentist. These conditions obtained because of malnutrition, and when you get down to taxing people in the low income brackets the same thing will go on.

I am rather disturbed that something has not been done to grant a bonus to old age pensioners and to people on fixed incomes of this kind. Definitely the cost of living has gone up. The increase has been taken care of as regards wage earners in some brackets not in all of them. As the hon. member for Cape Breton South pointed out, in some of these categories the cost of living has gone up 15 points, so that they are being penalized in addition to the new taxes which they will have to pay. Some consideration should be given to people with fixed income of the type of old age pensions and mothers' allowances.

The wartime prices and trade board is of necessity a part of the present method of financing, and I believe that in principle it is sound. But I have in my hand a copy of the Merritt *Herald*, a small paper circulating in a part of my constituency, and it has these headlines on a news item:

So that there is a fixed price on meat, but apparently no fixed price on cattle. This cattle buyer came in this fall when the wartime prices and trade board had fixed prices, and when the rancher's cattle were sold he was beaten out of \$500. It seems to me that there should be some way to control the packers.

The CHAIRMAN: I do not believe that this matter comes under resolution 1. The resolution proposes a certain scheme of taxation on incomes, and I cannot see how it can be extended to cover the subject now being discussed by the hon. member.

Mr. O'NEILL: I must abide by your ruling, Mr. Chairman. I do not know whether the subject which I want to deal with has already been discussed, because I have been on the Defence of Canada regulations committee and have not been able to attend the sittings of the house.

The CHAIRMAN: The point of order which I raised was not in respect of whether or not this matter had been discussed. The point of order is that resolution 1, with

[Mr. Homuth.]

respect to income tax, is not capable of being extended to the subject matter now being discussed by the hon. member.

Mr. HANSON (York-Sunbury): That is, the packers' and ranchers' position.

The CHAIRMAN: Yes, the packers' and ranchers' position.

Mr. HANSON (York-Sunbury): But monetary reform is.

The CHAIRMAN: Oh, yes; I allowed the discussion on monetary reform. My ruling is that the reference to packers is not relevant to the resolution now before the committee.

Mr. O'NEILL: I have not been able to get a copy of these resolutions because enough of them have not been printed. I had one in my desk, and somebody took it and substituted a French one. We should have an opportunity somewhere, I believe, of discussing matters of this kind. When and where will that opportunity be given?

Mr. ILSLEY: There was a budget debate, and that was concluded. There was a request that some latitude be given on the resolutions, and much has been given, but last night it seemed to be the wish of hon. members pretty generally that we confine our discussion strictly to each resolution as it came up. That is what I hoped we would do. Certainly that was the feeling of the committee last night. Now the hon. gentleman asks where there will be an opportunity to discuss the beef question or the price-ceiling policy. I cannot think of any at the moment.

Mr. HANSON (York-Sunbury): Under the war appropriation bill there was ample opportunity.

Mr. ILSLEY: On the war appropriation bill we had a long discussion, and I do not think there is anything unreasonable about adopting the principle that some discussions in a session have to end. The session will go on forever if that is not the case. There have been several opportunities of discussing the wartime prices and trade board and the price ceiling, and I do not know of any more.

Mr. HANSON (York-Sunbury): The hon. member was in order in discussing under resolution 1 any question of financial policy, although I personally had hoped that that discussion would be over last night. On this question of the exemptions, the hon. member is quite in order in discussing the reduction from \$750 to \$660 and from \$1,500 to \$1,200.

Mr. ILSLEY: Oh, certainly.

Mr. O'NEILL: I do not want to violate the rules, but there are several questions which

Income War Tax Act

I thought could be properly discussed at this time. One of them is the price ceiling. I am quite in agreement with the principle of a price ceiling, but certainly if there is a price ceiling there should be a price floor. There is not, and these fellows can pay as little as they like to the cattle raiser, who is not permitted to sell his cattle over a certain price.

Mr. ILSLEY: Mr. Chairman, I must raise the point of order myself. I agree with the chairman. This committee of the whole is discussing the income tax resolutions. We are on resolution 1, which sets out the scheme of income taxation, with rates, and so forth. I cannot see any connection whatever between a discussion of the price of beef and that resolution, and I think I shall have to take that position.

Mr. CRUICKSHANK: May I speak to the point of order? The hon. member for Macleod stated to the Minister of Finance, with the concurrence of probably 95 per cent of us, that we would not speak on the budget, in order to facilitate it. But to hon. members from British Columbia, one of the most important things is the price of beef in so far as the wartime prices and trade board is concerned, and I think, under the pledge given the hon. member for Macleod, any hon. member from British Columbia should have the right to discuss the wartime prices and trade board.

Mr. FAIR: I do not think that applies solely to British Columbia. The hon. member for Macleod is from Alberta, as are a number of us, and I think we should have every right to speak on these questions now, because they affect directly and indirectly the incomes of a number of those who will be compelled to pay income tax.

The CHAIRMAN: Standing order 58, paragraph 2, is quite clear. The Chairman, when an objection is raised, and there was one in this case, is bound by the rules of the house. I must now confine the discussion to resolution 1, Income War Tax Act.

With respect to questions which were raised on currency, I have been able to connect them somewhat with resolution 1. The government proposes certain ways and means of raising money by way of income tax, and certain hon. members suggested other ways and means of providing the same revenue, that is, by the issue of currency. There is a certain connection between the two. But the fixing of a ceiling price on beef is certainly irrelevant. Mr. O'NEILL: I am not going to question your ruling, Mr. Chairman, but I will say that when the budget was passed we were given to understand that we would have the greatest latitude in discussion in committee. I think we are not being given quite the latitude we were led to believe we would be given.

One question is, a taxpayer on his income tax may deduct from the refundable portion the amount he pays on a mortgage on his home—

Mr. STIRLING: That comes under resolution 7.

The CHAIRMAN: That will come later.

Mr. O'NEILL: With all these committees and other things it is impossible for one to be here all the time. I came here and I have listened to everything under the sun being discussed for seven months, and now when I have something that I want to discuss I am told it will be discussed on another day. How shall I know when that day is here?

The CHAIRMAN: If hon. members will permit us to reach resolution 7, there will be an opportunity.

Mrs. NIELSEN: I want to identify myself with those who have protested against the income tax levied on the lower incomes. I realize that the job which the Minister of Finance has to do is to finance this tremendous war undertaking of the Canadian people. In other words, he has to weld this whole nation into one great war machine. But it does appear to me that by the imposition of income tax on incomes in the lower brackets, particularly \$660 and \$1,200 for single and married men respectively, he is to some extent defeating his own purpose. Already it is apparent that these low income people. those who are contributing so much to the production of war material by working in our factories, on our farms and so on, are not able to maintain the standard of health to make continuous employment possible.

As far as the people of my own constituency are concerned, I do not think there will be any high proportion of them who will be called upon to pay income tax, because unfortunately their incomes are not high enough. The few who will be called upon to pay will come in the very lowest brackets.

I noticed a little while ago, as reported in the Montreal Gazette of June 26, that Doctor A. S. Lamb, the director of physical training in McGill university, made a startling statement. He said that the cost of the air training plan during 1941 was \$225,000,000, but the cost of sickness in Canada for the

[The Chairman.]

same period was \$250,000,000. When you realize that by taking money out of the income of those people in the lower brackets you are going to increase, as I think undoubtedly you are, the amount of sickness among the people of our country who are working on the production of war materials, you will find that this money will have to be paid out again to care for them in sickness, and the war effort will be slowed up by the loss of working time. I cannot see that the minister is any further advanced by taking money from these groups; in fact I think he is defeating his own purposes, for what he gains in income tax he will lose by having to take care of them in sickness as well as losing their time from production.

There is only one thing that matters to-day, that is production for our war services and the prosecution of this war to the maximum limit. It appears to me that if these people were exempt we should in the long run be far better off and the minister would not be out of pocket but would perhaps gain by it.

I have in my room a clipping from one of the papers, I think it was the Montreal Gazette, an advertisement which appeared perhaps two or three weeks ago asking for a housemaid and parlourmaid. It said, "comfortable home for two girls, two adults in the family, no children, five other servants kept." If we have in this country two adults without children-and possibly this situation could be multiplied many times-who are still able to enjoy seven servants to take care of them, perhaps the minister could go to those income brackets and still find further money. His object in the budget is to finance the war. We hear so much about trying to take from our people their surplus money so that they will not spend it on luxuries and things that do not matter, yet we still find certain groups in this country who car afford to keep seven servants to take care of .wo people. I would say incidentally that the Minister of Labour should have something to say about that; the two young women, instead of being kitchenmaid and housemaid, would be better off in a war industry.

As to raising money from these lower income groups, this tax will impair the health of the nation to such an extent that it will be detrimental to the war effort and in the long run will not help the minister in financing the war.

Mr. ILSLEY: With regard to the family mentioned by the hon. member, I think it highly probable that that household is being supported out of capital largely, and if that

is the situation, a process of redistribution of wealth is going on that will in the course of time do some levelling.

With regard to the other and perhaps more important question as to whether the \$660 and \$1,200 limits are too low, all I can say is that in Great Britain a single man starts to pay at \$489.50, that is on the assumption that a pound is worth \$4.45, which is the official rate of exchange. He is living in a country where the cost of living is, I think, as high as it is here; it has certainly gone up a great deal more than it has here since the beginning of the war. The married man in Great Britain starts to pay at \$939.

With regard to the United States, the present law is \$750 for a single person and \$1,500 for a married person, which has been advocated here to-day. The treasury proposal for the new tax this year is \$600 for a single person and \$1,200 for a married person. The committee of ways and means has been considering the proper rates and exemptions and has recommended \$500 for the single person—

Mr. BLACKMORE: In the United States?

Mr. ILSLEY: Yes, in the United States; \$500 for a single person and \$1,200 for a married person. Therefore we are not out of line with other countries, and I do not think we are out of line with the necessities of the case. To raise the exemptions as requested would mean very large losses in revenue as compared with our present proposals. Those would be very important changes from the point of view of revenue. The level of \$660 and \$1,200 is an uncomfortable one, I admit; but this is an uncomfortable time, a time when sacrifices are asked for and expected and when sacrifices will be assumed. The main point I wanted to make was that we are not out of line. We are not nearly as low as Great Britain, and in the case of a single person we are not as low as the committee of ways and means has recommended in the United States, while in the case of a married person we are on the same level. There may be some changes in the form of taxes which make the comparison not strictly fair. I do not know: but what I have said is accurate, that they start to pay at that level in Great Britain, and will start to pay at that level in the United States.

Mrs. NIELSEN: I do not know about the United States, but I do know that in Great Britain they have a national health scheme. There, when people in the lower income brackets become ill through lack of essential foods or otherwise, they have a scheme which takes care of such people. In this country, however, we have nothing to take the place

of that system, and I cannot help feeling that a tremendous loss of time will be experienced by the people in these low income brackets, resulting from insufficient food, anxiety, lack of sufficient time for leisure and rest, and so on.

Mr. ILSLEY: The national health scheme in Great Britain is supported out of taxation which is in addition to the income tax. In other words, there is a special levy for the national health scheme, and therefore they are paying for the advantages of that scheme.

Mr. MacNICOL: In addition, it is contributory.

Mr. ILSLEY: Yes.

Mr. ROSS (Souris): I noticed in the press yesterday and again to-day several articles in which it was stated that the provisions with regard to compulsory savings and the income tax schedules might be amended. If the minister has those amendments in mind I wonder if he would not save a great deal of discussion by announcing them now. He said there would be an amendment with regard to officers in the armed services, and suggested that discussion on this matter be deferred until that amendment was introduced. If he has other amendments to offer I think he might announce them now, and I believe he would thereby save a great deal of time.

Mr. ILSLEY: I do not think we would save any time. I have no further amendments to resolution 1, part I, and as we come to the next resolutions, if I have amendments I will move them.

Mr. ROSS (Souris): My point was that on resolution 1, part I, there has been a great deal of discussion with reference to the other resolutions, particularly the general deductions.

Mr. ILSLEY: There should not be.

Mr. DIEFENBAKER: There are two or three representations I should like to make with regard to part I, and the first has to do with subsection 1 (c), in which certain changes have been made. Paragraph (c) as it appears in the resolution deals with "an individual, other than a married person, who maintains a self-contained domestic establishment," and so on. The changes are the insertion of the words "other than a married person" and the word "wholly". In other words, the paragraph deals with an individual who maintains a self-contained domestic establishment and who actually supports therein one or more individuals wholly dependent upon him. I am wondering why the paragraph was altered

by adding the word "wholly". Then I would point out that a change has also been made in paragraph (d), which reads:

a minister or clergyman, other than a married person, in charge of a diocese, parish or congregation, whose duties require him to maintain at his own and sole expense, a self-contained domestic establishment and who employs therein on full time a housekeeper or servant.

What was the necessity of adding the words "other than a married person" to the provision as it previously existed? I would also point out that in subsection 2 (i) the exemption for a child, a grandchild, a brother or a sister is now determined by whether or not that person is wholly dependent on account of mental or physical infirmity.

Mr. HANSON (York-Sunbury): Perhaps we could deal with one at a time.

Mr. ILSLEY: With regard to the words "other than a married person", that is merely a change in wording which does not alter the sense. The case of the married person is covered by paragraph (a), and then paragraph (c) covers an individual other than a married person.

Mr. DIEFENBAKER: But the act as originally drafted provided for a married person.

Mr. ILSLEY: This is thought to be a little improvement in the wording. With regard to the word "wholly", that is in section 91 of the national defence tax provisions of the Income War Tax Act. This just adopts the wording of the national defence tax section rather than the wording of the graduated income tax section. I do not know whether it would make any difference; I should not think it would.

Mr. DIEFENBAKER: I come now to subsection 2 (ii), where provision is made for a parent or grandparent of a taxpayer, wholly dependent on account of mental or physical infirmity. I suggest to the minister that there are many taxpayers throughout the country whose wives have no independent incomes, and who are to-day supporting one or both of the parents of their wives. I know of two instances of this kind; I have had letters from these people during the last few days, and there seems no reason why a man who is willing to support his parents-in-law in order to relieve them from the necessity of accepting public charity should not be entitled to the same exemption that is accorded a taxpayer who supports his own parent or grandparent. Would the minister give consideration to extending the right of a taxpayer to claim exemption in cases of this kind.

[Mr. Diefenbaker.]

Mr. ILSLEY: This matter of the in-laws is an old question, which has been brought up, I think, at every session for the last twenty-five years. I am not familiar with the standard argument on it, though I know the request has always been refused. Exemptions for dependents are confined pretty largely, if not wholly, to dependents in connection with whom there is an obligation to support.

Mr. HANSON (York-Sunbury): Of course, there is none in that case.

Mr. ILSLEY: No. That, I think, is the reason.

Mr. HANSON (York-Sunbury): I think the reason is the desire to restrict it.

Mr. DIEFENBAKER: I support the suggestion made by the hon. member for Calgary East and also by the hon. member for Vancouver South in reference to exemptions of officers in Canada on active service from payments of income tax. During the debate yesterday the suggestion was made that there is no exemption in the United States or in Great Britain in so far as service men are concerned, the general principle being that, subject to the exceptions set out in the act as at present constituted, all should be required to pay income tax. But we in this parliament have departed from that principle in that we recognize the right of exemption of our officers and men overseas as well as of those men in the service in Canada and officers who are actually engaged in the navy or in the air force, requiring them to be at sea or in the air from time to time. Therefore, so far as the general principle is concerned, I submit that having departed from it in one particular and having regard to the representations that have been made as to the anomalous results which flow from imposing the income tax on junior officers who are on active service, whereby they receive less than their noncommissioned officers, the exemption should be granted. I want to add to that something which has not been brought up before, and that is that the women who are in service in Canada and overseas in connection with the navy, the air force and the army, should be exempt. Women in the army or in various services, whether overseas or in Canada, do not appear to be exempt under the act, certainly not as the statute now stands, and I would suggest that when the minister does bring before the house the amendments which he has said he intends to propose regarding officers in the services in Canada, the matter of exempting women in service in the various forces should be provided for. The effect of

the amendments which were passed in 1940, allowing for the exemption of men in service in Canada, is discrimination against officers in junior ranks, to such an extent that from one end of the country to the other complaints are being received. It is not as though the men who hold commissions are financially better off than many men in the ranks. I remember during the last war, in the rein-forcements from Canada to the Princess Patricias, and in the Western university battalion, there were university professors in the ranks, and students were their officers. I point that out to show that there were then and are now no school-tie qualifications for officers in Canada's democratic army. The result of the law as it now stands is to discriminate against those men who, either by promotion or, in any event, by orders given by superior authority, are required while on active service to remain in Canada.

Mr. HANSON (York-Sunbury): Or to return to Canada.

Mr. DIEFENBAKER: Or to return to Canada, as the leader of the opposition suggests, in consequence of orders they receive. I do not think I have any other representations to make. Will the minister take into consideration particularly the question of exempting women who are now a part of our armed services, both in Canada and overseas?

Mr. ILSLEY: I do not know whether they are exempt or not now, but just on principle, I am always greatly interested in these demands from members for forgoing very large sources of revenue, and I wish to speak frankly now, because I am in a position where I have to and where I can. I have to say what I think regardless of whether it meets with approval outside this house.

Mr. HANSON (York-Sunbury): Whether it is popular or not.

Mr. ILSLEY: Yes. I am going to do that, and I will invite a little frank response, which I know I shall get from the hon. member for Lake Centre who has just resumed his seat. He has based his request for exemption of officers in Canada on the ground of discrimination, and he assumes that the only way in which that discrimination can be removed is by the removal of taxation. I have asked the officers of the department to tell me how much that will mean in loss of revenue, and the estimate, while it is not at all close, would be between \$15,000,000 and \$25,000,000.

Mr. HANSON (York-Sunbury): As regards the officers?

Mr. ILSLEY: Yes, under the present rates including refundable savings.

Mr. HANSON (York-Sunbury): That is an astonishing statement.

Mr. ILSLEY: Yes, but there are about 20,000, I believe. Does this feature of the matter worry hon. members, and do they think it would worry the public?-not that what worries the public is what guides us, but we are putting taxes on poor people in this country down to very low levels. We are putting very heavy taxes on men with medium incomes, and very, very heavy taxes on men with higher incomes. Does the discrimination between the taxation on civilians and the taxation on officers in Canada worry anybody? It does me, because I know that hundreds, and I think thousands, of civil servants have enlisted. In a great many cases they are doing non-combatant work, although they are members of the active forces. They are accountants, auditors and so forth and are doing a great deal of work of that kind; and as I say, there are thousands and thousands of them. For the most part their pay and allowances are considerably larger than they were in the civil service. I had a list prepared from one department showing the very large increases in pay. We refused permission to a great many civil servants to enlist. We have kept them in the civil service; we work them to death, or nearly to death in many cases, and we load on their backs these various taxes because we are asking them to make sacrifices. But they see across the way their former associates with uniforms on, and now we are asked to take the taxes off the latter altogether. Does that worry anybody? I should think it would, and yet nearly every hon. member rises in his place and advocates it. Take the girls who have enlisted. As I say, I do not know whether these non-commissioned officers and privates among the girls are free from income tax or not. The hon. gentleman shakes his head, and perhaps he is correct.

Mr. DIEFENBAKER: It is not in the statute.

Mr. ILSLEY: The hon. gentleman makes a fervent appeal; he ask that these people be relieved of taxation. I do not know upon what he bases his argument, but I suppose it is on the ground that they should be treated the same as non-commissioned officers. Consider the stenographers who are in uniform, and the cooks and other women who are performing many types of duties. When everything is considered these women, even though they receive only two-thirds of the private's pay, are receiving more pay than the grade one stenographers. Think of the thousands of grade one stenographers here in Ottawa crowded into any place they can get. Many moving appeals have been made because these girls are being asked to pay \$20, \$30, \$40 or something like that.

Mr. HOMUTH: It is a crying shame.

Mr. ILSLEY: Unless we tax these lower paid people we cannot get the amount that we require. Does it worry anyone that these girls in uniform should be relieved completely from paying a tax? I find it hard to understand the great lightness with which hon. members talk about throwing off fifteen, twenty or twenty-five millions; they talk of doing away with all discriminations, and there are some, eliminating them at the expense of the rest of the overburdened taxpayers. While I must admit that I look at the matter the other way I do find it hard to understand this attitude.

Mr. HANSON (York-Sunbury): The minister asks if we are worried. While I may not have received as many representations as the minister, I have received a good many and have given a great deal of consideration to this matter. I had intended to say something in the address which I made on the budget. Almost immediately after we got into the discussion on this resolution the point was raised by the hon. member for Calgary East. I thought he was jumping into it just a little too soon, but I knew we were bound to reach the question sooner or later. There is a wider picture to be considered. My information is that everybody in the United States pays, whether they are in or out of the country, provided, of course, that they come within the taxable brackets. The same thing is true in the United Kingdom.

Mr. ILSLEY: They get a little more pay when they are outside the country.

Mr. HANSON (York-Sunbury): But the principle of their taxation is that they all pay. I want to discuss this matter in the light of all the circumstances and as judicially as possible. I think the minister wants a frank expression of opinion from the members of the house who are not looking particularly for votes. I am not dealing with it from that angle. It is quite popular to espouse the cause of cutting taxation; I have done a lot of it in days gone by, but I never found that it got me many votes in the final result. We have departed from the principle in a particular instance, and the operation of that departure has caused hardship. There has been a terrific increase in the rates of taxation imposed upon some of these men. There is a discriminatory effect upon the junior officers, up to and including majors, I believe, as opposed to warrant officers.

Mr. ILSLEY: I think it just includes captains.

Mr. HANSON (York-Sunbury): That is probably correct, but I was told that it included majors. These junior officers up to and including captains are now taxed at such a rate that they actually receive less than warrant officers. That is an invidious discrimination. There are men who enlisted for active service and who have been sent back to Canada. I believe all officers are subject to direction to go anywhere, there is no such thing as a home army officer. Those men who have been overseas and have been brought home are subject to a tremendous impost because of a move they have made against their wish and desire. They want to stay overseas, but they have been ordered to come back to do service here. Those men are entitled to some consideration.

But there is another large array of men who are now in the armed services who hold relatively high ranks and who have never dreamed of going overseas. Many of them got into the army because they could improve their positions. Why should they escape? The minister tells us that \$20,000,000 is the aggregate amount of money to be collected from all, including the class of soldier who never thought of fighting. I have no sympathy for men like that, men who probably bothered everybody they knew to get transferred from a peace-time department into the Department of National Defence and be able to occupy an office in that department and wear a uniform. I have no sympathy for that type of man at all. If he does not like his job, let him resign and go back to his peace-time occupation.

Mr. MacNICOL: There is not a chance in a million of his doing that.

Mr. HANSON (York-Sunbury): I do not think there will be. I suppose it would be almost impossible to lay down a general rule, but I understand the departmental experts have tried to establish a general principle so that this particular class shall not escape. This particular class of army officer, made up of men who are not soldiers, who are simply bookkeepers or paymasters in uniform-we have seen some of them around-will escape if we make an alteration. If it is humanly possible to differentiate between these men and those who are actually in the fighting services, it should be done. Consideration should be given to the man who is sent back from overseas for instructional purposes, and to the man sent out to the coast to help defend the coast.

Mr. GREEN: And the man who is there now.

[Mr. Ilsley.]

Mr. HANSON (York-Sunbury): And the man who is on the coast now. These men are in a different category from the men on Slater street.

Mr. REID: It might help if you did not put them in uniform.

Mr. HANSON (York-Sunbury): That is probably where we made the mistake. Go to the Jackson building and you see crowds of them.

Mr. MacNICOL: Saluters.

Mr. HOMUTH: There are forty in one office, and not one of them saw service in the last war.

Mr. HANSON (York-Sunbury): There is a tremendous army of them doing administrative work, men who never expect to be off the ground in the air force, or on the sea in the navy. Why should we not tax them? They are probably better off than they were in civilian life, and they never expect to fight. It is on the principle of sacrifice, that men may have to give up their lives, that we have exercised the right of granting exemption from income tax. Why cannot the officers of the department make a differentiation between these men? If they will do that, it will solve the problem.

Mr. ILSLEY: I think it is absolutely impossible.

Mr. HANSON (York-Sunbury): That may be so, as an administrative problem. I ask the question. If the minister says that that is out, then he has a situation where he will not give satisfaction to anybody.

Mr. ILSLEY: I know.

Mr. HANSON (York-Subury): But I think another effort ought to be made to deal with the matter. I thought the minister had an amendment to make. We must wait to see whether it is a solution or not. But there is no doubt about it that there are two diametrically opposed principles operating there. One class ought to have relief, and the other class should not. If you agree with me, let us grapple with it on that basis. Let us tax the one, and not tax the other. Surely the problem is not insoluble.

Mr. DIEFENBAKER: What justification has the minister for taking the stand that women in the ranks in the armed services in Canada and those who go overseas and are being sent overseas to-day, in the medical corps and otherwise, should not be entitled to the same consideration that men are receiving under the law as at present? Mr. ILSEEY: I do not think there is much.

Mr. DIEFENBAKER: Is there any justification?

Mr. ILSLEY: What is the justification for discriminating between a stenographer in uniform and the one out of uniform? We are going to do some discriminating whatever we do. The attitude I object to is always taking the ground that we should eliminate certain discriminations which would cost the treasury money and throw additional burdens upon the taxpayer. I admit that whatever we do in this case there is going to be discrimination. I am going to propose an amendment, but I shall not have it ready until Monday. In the meantime I think we have plenty of work before us this evening. I know the amendment will not be satisfactory to everybody. It will be satisfactory to some. But it is going to be the best I can do under the circumstances. But do not, just for the sake of avoiding discriminations, throw out millions in taxes and think the problem is solved as simply as that, because that just creates other discriminations and, when it comes to the higher incomes, frightful discriminations.

Mr. HANSON (York-Sunbury): Take the case of the women. Why is it necessary to enlist women as stenographers? Can they not be taken on as civilians in these departments? I know there is a great attraction in the uniform for the feminine eye—

Mr. HOMUTH: The air force uniform.

Mr. HANSON (York-Sunbury): I have often wondered why so many people were enlisted in the air force who were never intended to do anything but administrative work. I was in the Jackson building within a year and was astonished at the number of young men there doing, not administrative work, but just purely clerical work—

Mr. CARDIN: Messengers.

Mr. HANSON (York-Sunbury): — messenger's work. Those people should not be in uniform at all. That sort of thing should be reserved for civilians, and those boys should be put on ground crews or they should be looking forward to doing national duty in the fighting forces. We have many of those fellows in the air force and, by the same token, in the navy, men who never took their feet off dry land. But they are all in uniform. I have wondered why we enlisted so many men who never get into action and never intended to get into action or who—this is a fair statement—under the system which governs them find it impossible to get into real action. I will give the case of a young lawyer, keen and anxious to go overseas. He is chained to a desk helping to keep records. Somebody, of course, has to do that; it is very important to keep records. But here is a man who can do valuable work as a fighting man, and yet, because he has some qualifications as a lawyer and is a good office man, he is just chained to a desk keeping records.

Mr. ROSS (Moose Jaw): Should that man be taxed?

Mr. HANSON (York-Sunbury): He does not want to stay in Canada; he wants to go overseas. If he were back in civilian life practising his profession he would be taxed much more heavily.

Mr. ROSS (Moose Jaw): There are many men in his position in the forces to-day who would go overseas if they could, but they are held back for some particular reason.

Mr. HANSON (York-Sunbury): I know; the whole thing is so difficult that it is impossible to lay down a general rule that will give satisfaction to everybody, and I think the minister will agree with me there.

Mr. MACDONALD (Brantford City): Is it not better to err on the generous side?

Mr. HANSON (York-Sunbury): I am agreeable to that principle, but not if it is going to cost the nation \$25,000,000. That is a huge sum. I can scarcely believe it is that large, but the minister says so. His officials have made the estimate, and I must accept it because I have no evidence to the contrary. Certainly, be generous, but I do suggest that it is a good principle to follow that you must be just before you are generous.

Mr. GREEN: Did the minister say there were 20,000 officers in Canada? Would he mind repeating the figure?

Mr. ILSLEY: The number of commissioned officers in Canada in the three services is 24,499.

Mr. GREEN: Does that include the reserve?

Mr. ILSLEY: I took it for granted that it did not include the reserve. It was not made for the purpose of including the reserve, and I am pretty sure it does not.

Mr. GREEN: It seems very high. The minister has said that between twenty and twenty-five million dollars would be lost in taxation if these officers were exempt. That would amount to about one thousand dollars per officer, which again seems very high. The history of this matter, the committee will remember, is that when the national defence

[Mr. R. B. Hanson.]

tax was imposed two years ago there was quite a battle staged in the house to bring about exemption from the tax for all the men in the active forces, in the navy, the army and the air force, but at that time the minister would not go the whole way. He taxed the officers and exempted those in the ranks. and that is why the act appears in its present form. I thought at the time, and I still think, there is too much of a tendency here to focus attention on the staff officers that we see around Ottawa. For every man you see here who is in a very nice spot-and some people think he is having a life which is too easy-there are a hundred out in the districts who are there ready to do a job. ready to fight and ready to die. I do not think it is fair to let our views be based entirely on what we see here in Ottawa. We must look beyond and see these men who are out in the various units.

Mr. ILSLEY: May I ask a question: Is readiness to fight, readiness to do one's duty in that way, a ground for relief from taxation?

Mr. GREEN: I think that the idea of the house two years ago was that these men who are prepared to die for us should not be subject to income taxes, and more particularly the national defence tax. That was the basis on which the house passed the exemption in 1940, and so far as I am concerned that still holds good. I do not think these men should be taxed even if it means a loss of \$20,000,000, and I think that is a very much exaggerated figure.

Mr. ILSLEY: What about the reserve army? They are prepared to die—

Mr. GREEN: The reserve army are in an entirely different category. They are serving only at night; they are not on a fulltime basis.

Mr. ILSLEY: They are prepared to defend themselves and, if necessary, to die. Is that a ground for exempting them?

Mr. GREEN: They are in an entirely different position from the active army.

Mr. ILSLEY: They are different, but not on that criterion.

Mr. GREEN: Their pay is very, very small, at any rate. It is not a matter of their being forced to live on their pay, which really does not amount to anything at all. Some of them in the final result do not get anything. But I do suggest that no one wants to see the exemptions which are now in effect taken away, and if there must be taxation then let there be exemption up to the basis of the present exemption, or in other words exemption right up to the pay and allowances of a first-class warrant officer. His pay and allowances are exempt now, as well as the cost of his rations; let the exemption for these officers start at that figure. It should be possible to work it out on some such basis as that. I never could see why you tax the cost of the rations and why you tax the dependents' allowances which are paid for these men.

Mr. ILSLEY: That is the rule which is applied to civilians.

Mr. GREEN: There is too much of this trying to keep these men in the same classification as civilians. We should get away from it. They are not at all in the same classification as civilians; they deserve entirely different treatment. I think the minister could work out some scheme which would solve this problem, perhaps along the line which I have suggested. Let us not focus our attention on conditions here in Ottawa; if the men here are not doing proper military duty, they should be put in civilian clothes.

Mr. ILSLEY: On the question of keeping them in civilian life, the much-abused treasury board tries to do that so far as the civil service is concerned. When persons in the civil service are proposing to take a commission in the army and discharge substantially the duties they discharged before, their cases have to be reported to treasury board, and a great many differences arise between treasury board and the various defence departments as to whether they should be permitted to put on uniform. It has been my unpleasant duty often to take the side of the controversy of trying to keep them out of uniform, and in most cases it has been a losing battle. The arguments advanced are, that they are going to work with men in uniform; that they must have authority; that they must be in a position to uphold their side in a discussion, and that others have been put in uniform.

Mr. HOMUTH: Churchill never was.

Mr. ILSLEY: Considerations of discipline are advanced. It is said that they must go; maybe there is no intention of their going anywhere but Ottawa, but they can be sent; and so on. Well, it is just a perpetual headache trying to fight these cases, and I usually lose out. If I do not lose out it is another black eye to treasury board, because treasury board is trying to control things it does not know anything about.

Income War Tax Act

Mr. ROSS (Calgary East): Of the 24,000 commissioned officers in Canada, I wonder whether the minister could tell us how many are in a medical category which would make them acceptable for overseas service. When I introduced this discussion I had considered this matter; and I do not think officers who are not qualified for overseas service by reason of not being medically fit, and who are just holding down civilian jobs, should be exempt from taxation. But if a man has offered his services, his services have been accepted, and he is medically fit for overseas service and of the proper age, I think he is entitled to a great deal of consideration.

Mr. MACDONALD (Brantford City): Every officer is liable for overseas service.

Mr. CRUICKSHANK: No.

Mr. HOMUTH: He has to be physically fit.

Mr. ROSS (Calgary East): When I asked for exemption I was limiting my request on behalf of those who are medically fit for overseas service. I do not think those who are not in that category are entitled to such consideration. Could the minister give us any idea as to the number who are medically fit?

Mr. ILSLEY: No, I cannot.

Mr. BOUCHER: While we are on this point, I wonder if the minister has considered the matter of compulsory saving as far as this particular class of people is concerned. It seems to me there is some divergence of opinion with regard to what is fair with regard to the taxation of soldiers going overseas, soldiers returning from overseas, the ladies, and the soldiers who are here in Canada. But it seems to me that it would be pretty sound policy to embark on a system of compulsory savings, even in excess of that under the present act, for the soldiers in that particular position, so that the government could have the use of the money during the war. The spending power of the soldier in Canada would be reduced and the rehabilitation problem would be greatly facilitated by the soldier having that reserve coming to him when the war is over. In all these questions we have been discussing for the last fifteen or twenty minutes, I believe a very interesting sphere of research would be along the line of a policy of compulsory savings, even in lieu of taxation to a great extent.

Mr. GREEN: If I may interrupt on that just for a moment; if such a suggestion were adopted it would strike at the root of all the legislation to help soldiers, the general plan of which is that the government will help the

soldier to become rehabilitated; that is certainly the responsibility of the government. This plan of compulsory savings, on the other hand, is the civilian's way of helping himself to become rehabilitated after the war, and I would argue just the opposite way to the hon. member for Carleton—that the refundable portion should not be charged against the soldier.

Mr. MACDONALD (Brantford City): I would associate myself with the hon. member for Vancouver South in that regard.

Mr. LEDUC: Nobody has more sympathy than I have for the rank and file of the soldiers who are in uniform, but I quite agree with the leader of the opposition in the remark he made this afternoon about these men holding office here in Ottawa. I do not know how many there are. I know some people who have been working here in Ottawa ever since the beginning of the war. They are wearing uniforms, and we do not know for whom we should have respect. It is about time we should know whether a man is an impostor or not.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. ROSS (St. Paul's): I should like to say a word as to the officers. It is all very well to say that these officers should not pay any income tax, but I do not see why they should be treated differently from warrant officers. A warrant officer class B has a net income of \$2,167.25: living allowance, \$480; trade pay, \$263.75; salary, \$1,423.50.

An hon. MEMBER: How many warrant officers are there in the army?

Mr. ROSS (St. Paul's): I do not know, but why should you stop at a warrant officer; why should you not tax him just as you do a lieutenant? A second lieutenant gets \$1,551.25 plus separation allowance of \$540; his tax is \$470. Therefore, he has a net income of \$1,620. The difference is between \$2,167 and \$1,620. You can go all up the line. Take a lieutenant, his net income is \$1,773.60. He receives \$1,825 pay and \$540 separation allowance, and the tax amounts to \$591.

A captain gets \$2,372.50, plus separation allowance of \$600. His tax amounts to \$871, leaving his net income \$2,101.50.

The least that I think should be done is that the separation allowance should be free from tax. All these officers are willing to go over-[Mr. Green.] seas. Not only that; a great many of them are separated from their families; in many cases they have to maintain two homes, and the separation allowance is hardly adequate at the best. In addition, the officer has to contribute to the cost and upkeep of his mess. Yet he has to pay 70 cents a day income tax.

Let us take some other men in the service. Take our dollar-a-year men. They can deduct all their expenses, while the man in the army cannot. Men who for various reasons are put in the army cannot deduct any living allowance. When the war is over, the man who is in the army is going to be at a tremendous disadvantage when he comes back into civilian competition. It seems to me that in all fairness he ought to have some opportunity to build up something for the future.

I have a letter from an officer who says:

Most of the officers known to me have taken advantage of the generous offer by the banks and borrowed the money from them and paid last year's tax in full and face the twelve monthly payments from March, 1941, to March, 1942. In most cases we have assigned pay to our wives as pay cannot be assigned directly to the bank. If the finance department start taxing our pay at the source next September most of us will be most seriously embarrassed. There are very few officers that I know that have not scaled their living down to the limit and most that I talk to are seriously considering applying for permission to leave the service as they feel they cannot carry on.

Many of them have commitments for war bonds and war savings stamps. I do not say that they should have total exemption, but there should be some way of getting them some exemption, something that is free from taxation. I hope the minister will give this matter his closest consideration.

Mr. HANSON (York-Sunbury): The amendment refers only to earned income?

Mr. ILSLEY: Of married women, yes.

Mr. KUHL: Just a few words by way of relating the necessity of this increase and these imposts to fundamentals. The other day the Minister of Finance, in replying to the hon. member for Parry Sound, made this statement:

We are talking about realities. This is not a question of money at all; it is a question of things and people. It is elemental. We are just confusing it if we think it is a question of money.

I wish to say a few words from the point of view of realities. The minister, as the financial adviser to the government, the government as a whole, and the country as a whole, would make a great deal more progress if the minister actually carried out the ideas implied in that statement. He seems to imply there that, after all, money is

a secondary consideration, and from the point of view of providing money I agree that money is a secondary consideration. It is the cheapest commodity on earth to obtain, nothing but paper and ink. As far as procuring money is concerned I agree with the minister if that is what he implied, that money is a secondary consideration. I agree that the all-important factor, whether we are considering war-time or peace-time requirements, is the men and the materials available.

From the point of view of the necessity for the increase in the income tax on the lower incomes I believe everyone will concede as a fundamental that no country, neither Canada nor any other part of the empire, nor any of the united nations, can make its most effective contribution to the war effort unless the people at home who are working in the industries, as well as those in the armed forces, are in the best state of health. I believe everyone will concede that workers in industry, and in fact anyone doing work of any kind, can do his best and contribute his maximum only if his standard of living is such that he enjoys the best of health and can work at the highest possible efficiency. If there is any factor contributing to the impairment of a man's efficiency in this war work, then I say that factor, whatever it may be, whether it be an increase in the income tax or any other kind of impost, is doing a decided disservice to the war effort, and is actually subversive. If we are going to contribute the maximum in all fields of production, then surely the first fundamental we should establish is that every individual worker should be allowed an income which will permit him to work with the greatest possible efficiency. Does this budget promote that efficiency on the part of the large majority of the workers in this country? If one may judge from the remarks that have been made by many hon. members, the imposts contained in this budget will not bring about that result. Many people will be denied health services. Many will be denied even some of the necessities of life, some of those things which contribute greatly to their ability to produce. Therefore, from the point of view of realities, surely the minister must admit that in connection with these lower income brackets this budget does not promote the greatest war effort.

Let us now consider the matter still farther from the point of view of realities. Men and materials, as the minister has said in the past and as we in this corner have said many times, are the fundamental considerations. If we have the men and the materials, then we have nothing to worry about. Surely no one will deny that we have not the wherewithal, as far as food or clothing or shelter is con-

cerned, adequately to take care of our war workers. These things are not beyond our reach; they can be produced, for the physical essentials are here. It is just a matter of apportioning to domestic requirements the maximum we feel we can afford to devote to those purposes; and surely we cannot afford to apportion to our living standard any less than will give all workers a decent standard of living.

As far as the money angle is concerned, the same reasoning holds true. This budget is going to bring about a great increase in our national debt. After all, what is our financial system? Is it anything more than an accounting system? The debate that took place yesterday and the day previous in connection with the question of national money was very interesting; but in all that has been said with regard to the issuing of national money I I believe too much emphasis has been laid on the question of currency. Currency is a very minor part of our monetary system, It amounts to possibly less than 5 per cent of the complete operation of our financial system, while by far the greater part of that system is carried on through bookkeeping transactions which are the simplest things on earth to perform. The costs that are involved in operating the financial system are being met from day to day, in the same manner that we are meeting the real costs of the war. We provide from day to day all essential labour with which to produce the munitions of war at home. Those in the armed forces are jeopardizing their lives, sometimes losing their lives, and munitions and supplies are being blown up. But from the physical point of view the costs are being met from day to day. Does that not apply with equal force to the matter of finances? After all, the money we use is created simply through bookkeeping transactions, with a little depreciation in connection with bank equipment and buildings, and some clerical work. This work energy is being provided from day to day by those engaged in the banking business. All the physical requirements, all the essentials, are being met from day to day in our banking system. Consequently, as the minister has suggested, from the point of view of realities we are meeting all costs, physical as well as financial, from day to day. Therefore I see absolutely no reason why there should be any debt in connection with Canada's war effort, and of course that also would apply in peace time.

Now a word as to the need for securing funds from those in the lower income groups in order to finance the war effort. From the point of view of physical realities I see

absolutely no reason for that at all. After all, the money system is merely a monetization of the real wealth that exists in the country; and the reason why the government has been obliged to obtain funds from the chartered banks, in addition to what has been taken from the people in the form of taxation and war savings, is simply that there is never sufficient money put into circulation completely to monetize the actual wealth of the country. It has been our constant contention that when the funds in circulation, the money paid out in the course of production, whether during peace time or war time, is insufficient to monetize all the goods, then additional money ought to be obtained from the Bank of Canada or from the government's monetary set-up, at cost. The fact that the government is going to be obliged to borrow \$1,228,000,000 during the ensuing year indicates that there is not enough money in existence, to begin with to monetize the complete production of the nation. Consequently I cannot see that it is anything but reasonable to suggest that the government itself should bring about this monetization at cost, rather than put the people as a whole into debt for the amount of this monetization plus the interest rates that are charged. I feel therefore that until this field is explored and utilized to the fullest possible extent, the people of Canada can never make their maximum contribution to the war effort.

Mr. LECLERC: I hold in my hand something that may prove to the exponents of easy money what easy money means after all. I have here a menu from a dining car plying between the United States and Mexico, and here are some of the different prices on that bill of fare: Fried fillet of fresh fish, tartar sauce, chopped beef steak, et cetera, \$1.20 in American money—this is printed in English and in Mexican—or \$6 in Mexican money. The next item is \$1.15 in American money or \$5.75 in Mexican money.

Mr. GRAYDON: Plus the tip.

Mr LECLERC: The next is \$1.10 in American money or \$5.50 in Mexican money; and the 85 cent meal, in American money, is \$4.25 in Mexican. When you have to pull out a \$10 bill every time you have a meal with your wife you realize that easy money goes as easily as it comes.

Mr. FRASER (Peterborough West): When the national defence tax is deducted from the employee's wages now he is given a slip showing the deduction, but on that slip the man's name is not shown nor does the name of the firm appear.

[Mr. Kuhl.]

Mr. ILSLEY: I am informed that that is not correct.

Mr. FRASER (Peterborough West): Is the man's name on it?

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): How long does it take to get the refund? I understand that there are some cases that have been pending for about eight months.

Mr. GIBSON: I have already given one answer to the question of refunds. They are made at the end of the fiscal year after the returns for the entire year have been filed. There are a great many returns filed in April. The man's return has to be compared with the employer's, and sometimes with the returns of three or four employers, and it takes a good deal of time to get all the refunds checked and ready for payment. It is a new branch that has had to be built up, and actually it has not been working as rapidly at first as we hope to have it working in the future. It has taken some time to get these refunds made, and it will be a considerable time before the great mass of them can be paid.

Mr. FRASER (Peterborough West): I can understand that it will take a lot of work to get the branch set up, but in the meantime the workers are suffering a hardship. If the employer knows that the employee is not making, in the case of a single person, \$660, or, in the case of a married person, \$1,200, does he have to deduct the amount, or can he pass that up, or does he make the form as at the present time?

Mr. GIBSON: I am not quite clear whether the hon. member is asking about what happens under the national defence tax, or whether he is inquiring about the new budget?

Mr. FRASER (Peterborough West): The same situation exists under the new budget.

Mr. GIBSON: If the hon. member does not mind waiting, that will be dealt with under resolution 25.

Mr. HANSON (York-Sunbury): Are we still on resolution 1?

The CHAIRMAN: Yes.

Mr. HANSON (York-Sunbury): I call the attention of the minister to the fact that while he answered part of my allegations with respect to this resolution, he did not give the reason why there has not been a complete amalgamation of the two taxes. I asked whether it was not possible to combine the two taxes, to have refrained from bear-

ing so heavily on the low income group, and to have achieved a more simplified and logical tax structure. I suggested that the reason why he had not done so was that he was thereby enabled to strike more heavily at the lower income groups. What has he to say about that? Why did he not make it all one tax?

Mr. ILSLEY: The graduated rates would have to be higher to get the same amount of money if it were done on the other principle.

Mr. HANSON (York-Sunbury): Then that supports my theory, that you are striking at the lower income group?

Mr. ILSLEY: That is a rather hard way to put it.

Mr. HANSON (York-Sunbury): Perhaps it is rough, but it is probably true.

Mr. ILSLEY: The fact is that if we had abandoned the national defence tax, quite a number of taxpayers who had been paying small sums would not be paying anything. The national defence tax principle was pretty well accepted, and we did not think we would be justified in abandoning it.

Mr. STIRLING: May I ask in what position the man finds himself who, having been in receipt of a salary and having incurred certain commitments with regard to life insurance, and having paid them for a few years, decides, as the result of a call of duty or because he is pressed to a training camp, to enter the army. He receives \$39 a month. It is obvious that he cannot still continue to keep up his commitments on his life policies. In what position does he find himself under this budget?

Mr. ILSLEY: That man is evidently a private and he is not taxed on his service pay. On his ordinary income, if he still has an ordinary income—

Mr. STIRLING: The presumption is that the salary he has been enjoying ceases.

Mr. ILSLEY: Then he is not taxed.

Mr. STIRLING: But he cannot carry out his obligations. He cannot maintain the life insurance to which he has committed himself.

Mr. ILSLEY: That is correct.

Mr. STIRLING: Is there no assistance forthcoming? Is that the death of that man's insurance policy?

Mr. ILSLEY: Yes.

Income War Tax Act

Mr. WRIGHT: When you get into the higher age groups you find that many of these men who took out policies of considerable amounts at the age of twenty-five are being drafted now into the army as privates, and their policies will lapse unless provision is made. Is no provision being made by the government to protect these policies?

Mr. ILSLEY: It is not a taxation question at all.

Mr. WRIGHT: I know it is not a taxation question, but it is a question that arises.

Mr. ILSLEY: The government has not undertaken to keep insurance on a person's life in force.

Mr. WRIGHT: In certain cases difficulty would arise because of the taxation.

Mr. JOHNSTON (Bow River): I can appreciate quite readily that the minister is finding difficulty in obtaining money. When the taxation budget was brought down a year ago the minister said definitely that the purpose was not to obtain revenue; that it was to prevent inflation. He has changed his attitude, because he states now that we must have increased revenue. In fact, he went on this afternoon to explain that it was necessary to increase the taxes upon incomes in the lower brackets, especially those of girls and stenographers, in order to obtain this great amount of money. Some members of the opposition criticized the minister quite severely because he had not raised the tax on certain incomes, because he had not exempted officers and so on, but the strange thing is that while some of these old, hide-bound Conservatives who cannot see any further than their noses are ready to criticize the methods adopted by the minister to raise revenue, they have nothing to offer in their place. My hon. friends over here are so steeped in old conservatism that they will never get out. The only hope we have is that they die off, but I do not want to wish that on them. It is one thing to criticize the minister, as they have done quite freely, and it is-

An hon. MEMBER: Constructive criticism.

Mr. JOHNSTON (Bow River): Constructive criticism! I never heard anything constructive come out of your outfit yet. You are quite ready to criticize the minister, but I challenge any one of you to show him where he can get the money. Very few Liberals have the ability —not exactly the ability, rather the nerve to rise in their places and say what they think about the need of a change in our monetary system. Those who have expressed their ideas in regard to the need for a change in this system deserve a great deal of credit, whether or not the minister is ready to follow their suggestions. If we are finding difficulty in meeting this budget, we shall have still more difficulty in meeting the next one. The minister will have a much harder time raising money next year than he had this year. He will be compelled to go into the field of monetary reform.

The policy of the government in connection with this niggardly way of financing the war is interfering with our war effort. I made this statement before, but the Prime Minister (Mr. Mackenzie King) ridiculed me. I said that because of government policy the production of this country was being held back. After having had a little more experience during the last few weeks, I am ready to repeat that statement with much more emphasis. The method used to finance the war is one of the things that are holding back our war effort. If it had not been for our antiquated methods of financing we would never have been caught the way we were in regard to our defences. As one hon. member has said, we should be careful that we are not beaten because of the antiquated measures we are adopting.

I say in all earnestness that the minister should consider most seriously the suggestions made in regard to the expansion of credit through the Bank of Canada. In that way he could increase our war effort and would not have to tax the really low income brackets and take away the livelihood of these people. That is just silliness and tommyrot. It is interfering with our war effort; it is interfering with the health of the people, and without question it will interfere with production, not only on the farm but in the factory. When the Conservatives discuss this question I hope they will indicate some way in which the minister can raise money. Even the leader of the opposition (Mr. Hanson) admits that he might have been wrong.

Mr. HANSON (York-Sunbury): I stated that you could do it to a limited degree, but beyond that limit you should not go.

Mr. JOHNSTON (Bow River): What is the limit?

Mr. HANSON (York-Sunbury): No one can tell. If I knew the limit, I would advocate it.

Mr. JOHNSTON (Bow River): If the leader of the opposition is that far along in the elementary study of finance, he has made a little progress. He admits now that he was wrong yesterday and this afternoon when he was criticizing the hon. member for

[Mr. C. E. Johnston.]

Parry Sound (Mr. Slaght), but he now says that you can expand credit to a limited degree. Let us expand it to that limited degree, and then to that extent we shall not have to take the last penny out of the poor fellow's pocket. When we have gone that far I am sure that the leader of the opposition will find that it has done no harm, that in fact it has done a great deal of good, and he can then pursue his studies a little further and advise the Minister of Finance accordingly.

Mr. MACDONALD (Brantford City): When this resolution was before the committee yesterday I expressed an opinion with regard to payment of income tax by officers who are still in Canada. I have listened to the arguments advanced since that time, and I am still strongly of the opinion that some relief should be given to these men. At the present time all ranks other than officers are relieved from payment of income tax, and I trust that that will be changed.

The CHAIRMAN: The minister has stated that at a later stage an amendment will be introduced but that the nature of the amendment had not yet been determined. There is a rule of the house with regard to repetition, but I am not addressing myself in this connection to the hon. member. I think this subject has now been covered quite fully, and I should like to invite the committee to consider the amendment and resolution 1.

Mr. MACDONALD (Brantford City): The amendment was before the committee this afternoon, and a great many hon. members took advantage of that occasion to express their views about the payment of income tax by officers. I have taken up very little of the time of this committee, and I feel that I should be allowed to express my views on this subject.

I noticed that the Minister of Finance stated that he proposes to bring down an amendment. It will be of no avail for me to address my remarks to the committee after that amendment has been brought down, because everything will then have been decided. I wish to express my views now, so that, for what they are worth, the minister will have the benefit of them.

This afternoon it was stated that many officers never expect to leave Canada and that many of them were holding down cushy jobs. That may be so. I believe the leader of the opposition referred to the case of a young lawyer who wanted to go overseas but could not, and had to sit behind a desk in Ottawa

or some other place. The hon. gentleman intimated, although he did not definitely say so, that this man, in his opinion, should pay income tax. That is what I gathered from his remarks. I would, however, point out to the committee that even if that man never goes overseas he has given up his profession and, when the war is over, he will have no practice to go back to, whereas other lawyers who are not in the armed forces are carrying on as usual. True, they may not be making much money; nevertheless they have their practice and, after the war is over, they have a job, while this lawyer who is sitting behind the desk has no job to which he can return.

I would also point out that all officers except those who are in a low category are liable for service overseas. They have no option if they are fit. They cannot volunteer only for home service. If they are needed they will be sent overseas. I believe that every officer in the armed forces, in the army, navy or air force, who had a job before the war and gave up that job, is making a sacrifice and that some consideration should be given to them in the payment of income tax.

I am fully aware of the difficulties with which the Minister of Finance is faced, and I know he is trying to find a solution. When I spoke in this house several weeks ago I stated that I thought the Minister of Finance was one of the greatest finance ministers this country has ever had, and since he has brought down his budget I have had no reason to change that opinion. I want to say to my hon. friends opposite or in any other part of this house that if I think any member of this government or any member of this house is doing a great service to his country, I shall not hesitate to tell the house of the great service which is being rendered. It is all right to say nice things about members after they have passed out of this house or gone to their great reward, but so far as I am concerned I am going to say good things about them while they are here.

It was stated this afternoon that if officers are relieved entirely of the payment of income tax, the coffers of this country will be depleted to the extent of probably \$15,000,000. The hon. member for Vancouver South suggested to the Minister of Finance that officers should be granted an exemption equal to the pay which a warrant officer would receive.

Mr. GREEN: And allowances.

Mr. MACDONALD (Brantford City): The pay and allowances which a warrant officer would receive. I joined with my hon, friend this afternoon in that suggestion, and I am still in accord with him. I trust the Minister 44561-275

of Finance will be able to grant such an exemption. However, if he should feel that that is going too far, I have a further suggestion to make. I suggest that all non-commissioned officers should continue to be exempt from payment of tax and that all officers in Canada pay income tax to the extent only of 50 per cent of what a civilian earning the same amount would pay. That would deplete the coffers of this country by only \$7,500,000.

While this country is spending billions of dollars, is it not fair to give some consideration to these officers? I know as well as other hon. members that some officers have better jobs to-day than they had in peace time, but I also know that if these officers were not in the armed forces they would, with conditions as they are to-day, be making just as much money outside as they are now. I also know there are many officers in the army, navy and air force who will never go outside Canada but who have made great sacrifices. I think of auditors and, in particular, of doctors, who have given up great practices, and of dentists, and if I were not a lawyer myself I would add lawyers. There are many, many men who are making a financial sacrifice in addition to leaving their home and family, and surely we can give them some consideration. It would not cost us much, if my suggestion were adopted, just 50 per cent of what they would normally pay. That would be welcomed by all of them; it would raise their morale, and be a great thing for the armed forces of this country.

Mr. MARSHALL: Mr. Chairman, I do not desire to make a speech but to ask a question which comes under subsection 2 of resolution 1. First I should like to quote from a letter I have received, and then ask my question. I quote:

Have a problem in request to tax exemptions for our two girls, Joan, age 12 years, and Joyce, age 9 years, who have been with us as our sole charge since they were about two years old. The girls have no other home, no one else

is getting exemptions for them, and we cannot see why we should be penalized for taking care of them. The Edmonton office admitted we of them. The Edmonton office admitted we should be entitled to exemption but as the act reads they could not allow it, but advised us to take it up with the tax commissioner, Ottawa. We could furnish you with a sworn affidavit to the effect that if we had not taken care of them, they and their mother would have been on relief all these years. In fact their father was on relief quite a few years. We are advised that the only way we can claim exemption is to legally adopt them. This we hesitate to do on account of their mother's state of health. as she is in rather a nervous

state of health, as she is in rather a nervous condition.

Is a case of this kind covered by subsection 2 of resolution 1?

REVISED EDITION

Mr. GIBSON: No, that case is not covered. The letter has correctly stated that exemption can be made for children only if they are the taxpayer's own children or children legally adopted. Expenses incurred in such a case as my hon. friend mentions could be treated only as charitable donations, and not as expenditures entitling the taxpayer to exemption for children.

Mr. HANSON (York-Sunbury): Paragraph (h) of section 1 of resolution 1 refers to:

Estates having income taxable as provided by subsections 2 and 4 of section 11 of this act; Nine per centum of the income.

To what does this refer? I have not the act before me. I have not looked this up and I was wondering just what it was. Normally estates would not pay this tax, would they?

Mr. ILSLEY: Well, there is no \$660 exemption or \$1,200 exemption. Whatever the income is, it is taxable.

Mr. HANSON (York-Sunbury): What is this section 11 of the act?

Mr. ILSLEY: The heading of the section, which consists only of section 11, is this, "Income from estates and trusts", and the marginal notes are:

Income from an estate or accumulating in trust. Trusts for unascertained person. Trusts in favour of the same beneficiaries. Accruals to date of death. Income capitalized. Accruad earnings received after death. Income capital-ized, how taxed. Life beneficiaries.

It provides for taxation of estates; that is all.

Mr. HANSON (York-Sunbury): As I understand the law, when the income is received by an estate it is allocated to the beneficiaries: the trustee or the executor files a return, and the amount allocated to each beneficiary is attached to that person's income, and he pays a tax, does he not? Is there a deduction now before anything is allocated?

Mr. ILSLEY: When there are unascertained beneficiaries.

Mr. HANSON (York-Sunbury): That is what I want to know. If there are ascertained beneficiaries this does not apply, but it is taxed in the hands of the beneficiary.

Mr. MacINNIS: Would the minister elucidate a little more the answer he made to the hon. member for Camrose (Mr. Marshall)? I thought I heard him mention that the money spent on the bringing up of children that were not legally adopted was some form of charity.

Mr. GIBSON: I used the expression that it was a charitable donation. I did not mean [Mr. Marshall.]

that it was exempted, as a charitable donation, from income tax. It is treated as charitable work, private charity, which a man is carrying on which is not entitled to the exemption.

Mr. MacINNIS: If the same family put these children in an approved children's home run by a church or some such organization and made a contribution of a certain amount on a charitable basis to that home, would the family be entitled to deduct that from the income tax, or would it be a non-deductible charitable donation?

Mr. GIBSON: If they were paying the board and lodging of that child in the home it would not be an exemption, but if they were making a donation to the home for the general purposes of the upkeep of the children in the home it would be a charitable exemption.

Mr. MacINNIS: That is the very point I want to make. Why the difference? Here these people are willing to give those children a home, but on account of certain circumstances they do not want to go through the process of legal adoption, and they are not allowed any income tax deduction because of this expense. Yet if they put the children in a home where they have just institutional care and make a donation to that home to the same extent as they are paying now for the upkeep of the children, they are allowed to deduct the amount from their income tax. Surely there should be some way to meet a situation of that kind. It does not seem to me to make sense, in a civilized society.

Mr. GRAYDON: Following the line which was adopted by the hon. member for Vancouver East, may I ask this question? Is not the present tax structure in connection with the head of a household who has, for instance, one or two children of that type, more harsh in its application than it was previously? As I recall it, under the previous income tax provision there was an exemption of \$1,500 to start with. Now the householder has only \$660 by way of exemption. Let us suppose that he had two children who were not his own, who were not legally adopted, and who did not come under the government's evacuation arrangements. Previously at least \$1,500 of his income was actually exempted before any income tax was paid; now he has only \$660 as an exemption. It may be said that as a married man he has an allowance of \$150: but actually, at the rate of, say 30 per cent. the difference there would be a matter of \$300, roughly speaking, instead of \$150. Therefore it seems to me that he is in a much worse position under the present arrangement than he would have been had the exemption remained at \$300. I should like to have the minister's explanation because this is rather confusing to me.

Mr. ILSLEY: I do not know that I understand the question. It is true that there has been an exemption for a married man, or a single man under certain household or other conditions, of \$1,500, and now the provision is that the tax shall not reduce his income below \$1,200. If the hon. gentleman will put his difficulty again, I shall try to follow it more closely.

Mr. GRAYDON: My problem is this. Under the previous taxation arrangements a man was allowed \$1,500 exemption. Now he is allowed \$660 exemption. The difference between \$1,500 and \$660 is \$840. Roughly speaking, 30 per cent of that would be somewhat less than \$300. But actually what he is allowed off the tax under the present scheme is \$150, whereas under the previous scheme he was allowed about \$290. Having regard to the point which was raised by the hon. member for Vancouver East, the present rate of tax bears rather hardly upon the man if he is keeping one or two children for whom he is not able to get the \$28 or the \$80 reduction, as the case may be, for a child who is either adopted or his own.

Mr. ILSLEY: Does it come to anything more than this, that it would be better for him if he could get a reduction in respect of children that are not his own, provided he is keeping them? Is there any more point to the objection than that?

Mr. GRAYDON: Yes, because he is really paying a good deal more; at least his exemption does not mean nearly as much to him under the present legislation as it did under the act of last year.

Mr. ILSLEY: I do not see that it has any bearing whatever on the question which has arisen about foster-children. It is a different matter altogether. It is a harsher measure, we know that, but it does not have anything to do with this other question.

Mr. GRAYDON: It has this to do, that when a man is in that income bracket-the situation is much the same with regard to officers of the army-when you are taking so much more off the married man with one or two additional children to keep, it is not an easy thing in these days to take care of one or two extra children for whom you cannot get any additional exemption. The problem becomes more acute.

Income War Tax Act

Mr. ILSLEY: There is no doubt it does; the heavier the taxes, the harder it is for a taxpayer to take in and keep children for whom he cannot get any exemption.

Mr. HANSON (York-Sunbury): The exemption is based on legal liability or obligation. That is the trouble.

Mr. MARSHALL: Am I right in assuming that those who take in children from the British isles are allowed exemption under this paragraph?

Mr. ILSLEY: Some of them.

Mr. MARSHALL: It says here:

(iii) a child under eighteen years of age maintained by the taxpayer in Canada under a cooperative scheme sponsored by the govern-ments of the United Kingdom and of Canada or any of the provinces of Canada, for children brought from the United Kingdom under a government plan, or under twenty-one years of age, and likewise maintained, upon proof that such child is a student at a secondary school, university or other educational institution.

It seems to me that this case would be more or less parallel and would come under that section.

Mr. ILSLEY: No. The committee will remember that two years ago or last year we had a hot argument about whether we should permit evacuated children generally to be treated as children for the purpose of tax reduction, and I took the ground that this should not be permitted to any greater extent than that section covers. One of the reasons I gave was that if we opened the door wide we would have to upset the practice, to change the law, that had been in force in Canada ever since the Income War Tax Act was enacted in 1917, namely, that foster-children are not treated as children for tax deduction purposes. I said that practice was very firmly established and that we would have to hold to it; that there were reasons why we should. Evidence is difficult to obtain; abuse is possible; exchanging of children is possible and all that sort of thing. I may be wrong about that, but at any rate it would be very difficult to check on the matter, and it has always been felt that the principle of the exemption is legal liability. If a person wishes to be kind-hearted and do a charitable deed, that is not sufficient ground for getting an income tax deduction. Many kind acts are done; taxpayers support relatives whose health is bad; all that kind of thing is done, and no deductions are made for that. Nothing has been more firmly established in our income tax law than the principle that only children of the taxpayer and adopted children come within the terms of the section.

44561-2751

We did think we could go the length we did by passing the section the hon. gentleman has just read, that is, with regard to children who come under a scheme sponsored by the the governments, children who presumably are for the most part poor, whose parents have no means and whom the government in a sense has asked the people to take. We thought we could go to the length of making a limited concession in respect of those children. We were pressed very hard to go much further. but I said we could not go further without opening it up to all foster-children in Canadian homes, something that we had never done. There are thousands of them, tens of thousands, in every province of Canada. My hon. friend's request simply bears out the contention I made; he is basing his argument on that limited section about sponsored children. I do not think it is a valid argument. He would have a very much better argument if he went the whole way with evacuated children. The British government has since released money for those who have money to send-

Mr. HANSON (York-Sunbury): In a limited way, £3 a month.

Mr. ILSLEY: —and had we allowed that as a deduction we would have been in this position, that Canadian taxpayers would be getting an exemption for those children and getting something from their parents at the same time.

Mr. HANSON (York-Sunbury): Has the question of allowance for a common-law wife ever arisen, and what is the position?

Mr. ILSLEY: The question has arisen, but no allowance is made.

Mr. MARSHALL: A point that I think is overlooked is this; these people are perfectly willing to take out papers for these children, but on the advice of the doctor it is not deemed advisable to do so. If they took out papers they would get full exemption under this section. The only thing that bars them from doing so is that the doctor believes that the issue of such a certificate would be detrimental to the health of the mother of the children.

Mr. BOUCHER: The Minister of Finance said this afternoon that it has not been the policy to grant exemption to married daughters whose parent or parents live with herself and her husband, whereas it is granted to the son whose parents live with him. I believe a serious wrong is created there. Any person who has practised law can hardly help coming to the conclusion that as a rule the daughter is more willing and anxious to look

[Mr. Ilsley.]

after her parents, and the parents as a rule are more happy with a daughter than with a son. That being the case, you have the situation whereby the married daughter taking in and supporting her parents cannot through her husband get exemption under the Income War Tax Act, but the husband can get exemption for his parents. In these days when we are going into so much social legislation I believe that is a relic of the past which we should soon obliterate. I wonder whether the minister has any more reason than that stated this afternoon when he said it was just that they had not done it in the past.

Mr. ILSLEY: There is no obligation to support a mother-in-law. In nearly every province, in many provinces at any rate, there is an obligation to support mother and father.

Mr. HANSON (York-Sunbury): There is no common-law obligation. Has the minister met the alimony case, the man who is divorced, who has an income of, say, \$10,000?

Mr. ILSLEY: I certainly have.

Mr. HANSON (York-Sunbury): Do you allow that alimony payment as a deduction?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Such a man who has married again is in a very tight spot. I think he ought to have a little consideration; that should be allowed as a deduction.

Mr. BENCE: I was going to say a word on that point. It seems to me most unfair that when a man is divorced and is supporting his ex-wife by order of the court, he should not be allowed to deduct, for income tax purposes, the amount paid in alimony. If that were done, the ex-wife could be required to file an income tax return as a single woman, as she should, and she would have to acknowledge receipt of that income in making up that return. In many cases the man has married again, but still he must pay a very high tax on the \$60, \$70 or \$80 a month he must pay his former wife. I am not thinking of it so much from the point of view of the husband, though I believe he is in a very bad spot. In the cases with which I have become acquainted, the husband has defaulted in his payments because he has not been able to make them, and in those cases it is the former wife who suffers, and accordingly I believe she should be given as much consideration as the husband.

Mr. ILSLEY: I agree that there is a great deal of injustice to the husband, and perhaps

indirectly to the wife, under the law as it stands now, and much consideration has been given some method by which the law might be changed. However, I am not in a position at the moment to say whether or not an amendment to meet the situation will be proposed. The matter is still under consideration.

Mr. GREEN: What is the law in Great Britain and the United States?

Mr. ILSLEY: In Great Britain the law is that if the payment to the ex-wife is made under an order of the court, it is allowed as a deduction from the husband's income for the purposes of income tax, and it is taxed as income to the wife. In the United States I believe the law is the same as ours.

Mr. GREEN: Have they not changed it this year?

Mr. ILSLEY: They are trying to, but I do not know how they will get along. I should have completed my remarks about Great Britain. If the payment is under a separation agreement instead of an order of the court, then the husband is taxed on the full income, and the wife not at all.

Mr. GREEN: Why has Canada followed the United States law rather than the British law in this case?

Mr. ILSLEY: There has never been any other law in Canada. Perhaps they are following us; I do not know. We just do the same; that is all.

Mr. GREEN: I really think it is an impossible situation, with the tax so greatly increased as it has been this year. After all, our law recognizes divorce, and once the parties are divorced they are entitled to marry again. In some cases that have been brought to my attention the husband has remarried and had children by the second wife, but is forced to pay income tax on the alimony that he pays the first wife, and I suggest that the position is absolutely unfair.

Mr. ILSLEY: I agree that it is, in a great many cases.

Mr. ROSS (Calgary East): Where a widower has young children, and requires the services of a housekeeper, is any allowance made for that housekeeper?

Mr. ILSLEY: No, there is none.

Mr. GRAYDON: I do not rise to pose as an expert on the question of alimony, like those of my colleagues who apparently have made a close personal study of the matter; but when the hon. member for Vancouver South suggested that we in this country had

Income War Tax Act

followed the policy of the United States I was reminded of the minister's very mild boast during the course of his budget speech as to the way the United States had followed his price-ceiling policy, and I was wondering if this was another evidence of that reciprocity about which through all the years this government has been so proud to boast.

I should like to point out to the minister that according to the answer to a question tabled yesterday, some 7,920 children have been brought here from Great Britain since the outbreak of war. Of these I believe all but 189 came prior to or during 1941, and therefore the stream of immigrants of tender age from that quarter has apparently pretty well dried up, I presume because of transportation and other difficulties. It does seem to me that in connection with the income tax, even though the minister has refused similar requests in previous years, in view of the acuteness of the financial stringency of some of our people in the very low income brackets who are looking after these British guest children, this year he might well give further consideration to this matter. If the arguments used in former years in support of exemptions in respect of these children had any strength at all, the minister might well take into consideration the tremendous increase that has been brought about in the income tax and do something with respect to these evacuated children who have been brought to Canada. There are less than 8,000 of them, and I think it would be an extremely nice gesture on the part of this government, and would not cause any great drain upon the treasury, if some consideration could be shown the people who, often at great personal sacrifice, are looking after these guest children.

Mr. ROSS (Souris): I should like to ask a question in connection with officers in the armed forces, and I do not see any other clause under which I may do so. I remember a discussion which took place about a year ago in regard to the different treatment given the air force and the army in this country, and I believe at that time it was pointed out by the minister that those who were undergoing flying training certainly were exposed to greater danger than those in the army. Since then I have been told that any administrative officer of the air force who has done 100 hours of flying during the year is exempt from payment of income tax. Is that correct?

Mr. ILSLEY: Yes.

Mr. ROSS (Souris): Then I think that is most discriminatory. I believe the army 4362

Income War Tax Act

officers of this country are just as much entitled to exemption from payment of income tax as are the administrative officers of the air force, who are not attached to the air crews and who do not undergo the dangers which are faced by those who are actually undergoing training. I was very much surprised to find that these administrative officers, who are in no way connected with the air crews but who fly for pleasure, or perhaps even for business, from one point to another in Canada just in order to put in their 100 hours in the air, were given this treatment. I think it very unfair, and I wanted to point this out now because I was not sure whether there would be another opportunity. The minister says that is a fact, and now I hope he will take this matter under consideration and remove this discrimination in any amendment he may bring in. I think the army officers should be given at least the same treatment that is given the administrative officers of the air force. I repeat, that sort of thing is most unfair and most discriminatory, and I can see no reason at all for any such ruling.

Mr. CRUICKSHANK: I want to be clear on this. Does the minister mean that the administrative officer flies the machine himself or rides as a passenger?

Mr. ILSLEY: He rides.

Mr. CRUICKSHANK: Well, I was not going to say anything in connection with this matter; I was going to take any abuse coming from the Canadian Legion in British Columbia for not saying anything, but now I am going to say something. I could take some time, since many speakers have taken twenty minutes or so to pay unnecessary compliments to the Minister of Finance. I realize that he is an excellent man, though he has taken twothirds of my income, and I had none to start with. I also believe that this budget, naturally, was drawn up by the minister's advisers, because of course he cannot do all this work himself. I am, however, most certainly of the opinion that none of those advisers are married men, to start with, and that very few of them are veterans of the last war, certainly not of the front line.

I cannot understand such a ridiculous suggestion as has been put forward. Some of the petticoat army of the Royal Canadian Air Force administrative forces have been riding across Canada, back and forth, to check up on mess rooms and canteens, and it is suggested they ought to get exemption from income tax, when men are running risks daily on the east and on the Pacific coasts. [Mr. J. A. Ross.] We shall hear something about this in the secret session to-morrow. This morning I saw some pictures-I hope they were not faked-of the defences on the Pacific coast where our officers and men are training, and I am to understand now that other men who never saw France or Germany and will never see it, and who in most cases never had any intention of ever seeing the front line when they joined the army, are to get exemptions. It is ridiculous. I take back the silent criticism I made with regard to the hon. member for Brantford City (Mr. Macdonald), and I think all returned soldiers in this house should register their protests against the proposal. The hon. member for Souris (Mr. Ross) deserves credit for bringing the matter up. I cannot see any justification for the exemption. I do not know what the privileges of cabinet ministers may be when the budget is under discussion, but I warn the government that they had better never put me in the cabinet because if anything comes up concerning returned soldiers they will hear from me, even if I am fired the next day.

I am expected to go back to British Columbia next week or the week after and endeavour to build up an active army by means of what is probably the wrong method, the voluntary system, because the government will not adopt the selective compulsory service method. I am to endeavour to get men to enlist to face terrible casualties, which are surely coming as soon as the second front starts. I am expected to build up a reserve army to defend the coast. What inducement have I to offer men to join the army in that province to-day, when one young man of twenty-seven and another of twenty-eight, both single and both medically fit, are acting on the personnel of the selection committee of the civil service in connection with the wartime prices and trade board in British Columbia? I have another inducement to offer young men in my riding-I am sorry the Minister of Agriculture (Mr. Gardiner) is not here to hear this-when they realize the situation of one particular farmer whom I might mention. He has two boys, one of whom is missing over Germany, the other still serving over there, their mother being sixty years of age and the father over that age. This is the first time in their lives these elderly people have had to get out and milk cows. That is the inducement I have to offer men to join up. Yet I am to endeavour in that district to secure volunteers for the army. This parliament is supreme, and I warn the members of this house that, in my opinion at any rate, there is no justification for them to go back to their ridings, and certainly no returned soldier member has any

justification for going back to his riding, to try to convince the people there that as a private member, or in any other capacity in this House of Commons, he has done his duty by the men who are making the supreme sacrifice, or who will shortly be called upon to make that sacrifice on our behalf, so long as such members stand back and permit such a ridiculous, nonsensical, idiotic class of legislation to be placed on our statute books. I do not know what more I can say against it, but certainly it will not carry except on division so long as I am a member of this house.

Mr. ILSLEY: To a great deal of what my hon. friend has said I listened with agreement, which is more than usual. I did not learn until recently, a few weeks ago, of the practice which apparently has arisen—I do not know how extensive it is—

Mr. ROSS (Souris): Fairly extensive.

Mr. ILSLEY: -- on the part of administrative officers of the air force of "flying in" their income tax. When I did learn of it I thought it was scandalous, and I still think so. The basis of it is this, and it will give hon. members an idea of the difficulties and the dangers of trying to meet what appears to be a meritorious claim without thinking of where it will lead the government. The members of this committee will recollect that about two years ago, I believe, members on the other side of the house, and perhaps on this side too, although I do not remember, made very strong appeals on behalf of our forces overseas, and non-commissioned officers and privates in Canada, and said that they should be exempted from income tax and national defence tax. That met with the usual acceptance from members of the house who did not feel that such persons ought to pay. Accordingly the government drafted a pro-vision for insertion in the Income War Tax Act among the exceptions. This provision in section 9 of chapter 34 of the Income War Tax Act reads:

The following incomes shall not be liable to taxation hereunder:

(t) The service pay and allowances of

(i) warrant officers, non-commissioned officers and men in the Canadian naval, military and air forces while in the Canadian active service forces, and

(ii) commissioned officers of the said forces while on active service beyond Canada, or on active service in Canada, whose duties are of such a character as are required normally to be performed afloat or in aircraft.

The reason for exempting "commissioned officers of the said forces while on active service beyond Canada" was that it struck Income War Tax Act

members of the house and, I believe, a great many of the public, that it would be undesirable and not in accordance with public opinion in Canada-I was going to say public opinion of the generous Canadian people-to tax men who were fighting in France, as we thought these men would be doing at that time. It was felt that public opinion would not be in favour of their being pressed for income tax returns, having a national defence tax deducted from their salaries, and so forth. Therefore that exception was agreed upon as a proper one, although I may say parenthetically that there is no such exception in the United Kingdom or United States law. At any rate, we put it in the Canadian law. As soon as that was agreed upon, a little reflection convinced us that if men in France were to be excepted, or men in Great Britain, equally the men doing duty in the navy on the Atlantic ocean, with all its perils and dangers and fatalities, must be given the same privilege. Then it was said that if we did this for men on the ocean we should do it for the patrols out over the ocean, the airmen who go out in all kinds of weather; and if we did that we could not draw a distinction between them and the men who are flying in Canada, some of whom crash, and undergo considerable Consequently this provision was risks. drawn up:

Commissioned officers of the said forces while on active service beyond Carada or on active service in Canada whose duties are of such a character as are required normally to be performed afloat or in aircraft.

That section was carefully drawn, and there seemed to be good reason for every word of it. That is the law. What did it mean? What is meant by "duties of such character as are required normally to be performed afloat or in aircraft"? There had to be some classification, and that was an extraordinarily difficult thing to do. Conferences were held between officials of the Department of National Defence for Air and the Department of National Revenue, and finally it was agreed to take the average number of hours flown by those flying in one year, I think it was 1940. That worked out in the neighbourhood of 200 hours, and in order to err on the side of generosity, as we have been urged to do to-day by the hon. member for Brantford City (Mr. Macdonald) and others, and leave no chance for criticism on the ground of niggardliness, the 200 hours were divided in two and 100 hours was fixed as the standard. If an officer had flown 100 hours or more he would be deemed to be an officer whose duties were of such a nature as are required normally to be performed in aircraft.

This apparently gave some of the administrative officers in the air force bad ideas, and I understand that they are flying around rather freely. I do not want to say anything that I should not, but the fact is that they are "flying in" their income tax. I do not mind saying that to me that is scandalous. We do not ordinarily associate that kind of activity with our fliers, and they certainly should not be able to qualify in that way. I do not think the section requires any amendment, but I certainly think an administrative change will have to be made in order to avoid this abuse. I think that administrative change can be made. I just wanted to say this, because it is not often that the hon. member for Fraser Valley (Mr. Cruickshank) says something with which I agree.

Mr. EDWARDS: The minister's observations have answered largely the matter to which I was going to refer. Be it said to the credit of one officer whom I know and whose duties were such that he had to fly, that he was unwilling to be a party to this practice or be suspected of flying out of his income tax, so he refused to turn in his flying hours for the last several days. In contrast, I do not think I can do other than raise my voice in protest against those in the air force who are known-this comes from the air force itself rather than from the public-to be carrying out the practice referred to by the minister. I think we can rely upon the minister and the officers of his department to see that this is taken care of by suitable regulations.

I am wondering if all hon. members who have spoken in regard to the situation with respect to payment of income tax by officers have not had such representations as they have received from officers of the rank of major and below. These representations have been prompted by the fact that their sergeants and warrant officers, classes 1 and 2, were in effect receiving a greater compensation on account of the innovation of this income tax. May I say that I have yet to meet a Canadian officer in our army, navy or air force who has protested to me, or to any of my friends with whom I have had conversation, about his obligations to pay income tax. I have heard from numerous officers of their willingness and readiness to contribute financially toward the payment of this war. I think it is wonderful that such a tribute can be paid to the officers of our three active services.

Such complaint as now exists arises as a result of the discrepancy between the three upper ranks of the non-commissioned officers and the lower brackets of the commissioned officers. This applies in the army and air [Mr. Ilsley.] force, but I am not sure whether the same observations can be made with regard to the navy. I have been told that sergeants and warrant officers are refusing promotion in the army and air force because such promotion would mean they would loss \$200 or \$300 a year. I do not think there would be any vocal resentment by these warrant officers and sergeants if they were brought into the income tax field. I think that is the fair and reasonable way to deal with this matter.

At the outbreak of the war many men came forward and volunteered their services. They took this action in the light of their known incomes and their prospects for promotion in rank. These men cannot make financial adjustments such as the civilian at home can make. I think it is absolutely unfair to increase their income taxes from year to year. Two years ago these men gave up their professions and businesses; they sat down with their wives and families to figure out what they could do, whether or not they could get along, and now the government comes along and raises the ante on them by way of income tax.

Mr. GRAYDON: Replying to the hon. member for Fraser Valley (Mr. Cruickshank), the minister gave a schedule of exceptions with regard to forces afloat. Will those include merchant seamen, or do they apply only to the naval forces?

Mr. ILSLEY: Just to naval forces.

Mr. GRAYDON: Without reflecting on the perils of the service which anyone on active service is risking, and it may be much more dangerous before long, our airmen who are flying over Germany and our men who are serving in the merchant navy are almost in a class by themselves so far as actual danger is concerned, and if the minister has in mind at any time making further exceptions I trust that he will not forget the men in the merchant navy who have to undergo the greatest perils of almost any branch of the service, military, naval, air or civilian. We have all seen the appeals that have been made throughout this country on behalf of the men in the merchant navy, and I am sure that the minister and everyone else is convinced that they are carrying on a service for us for which they can never receive an adequate reward. But if any further exceptions are in contemplation I would plead with the minister not to forget the men in the merchant marine.

Mr. GREEN: That is a very important point. The bill that has already passed this house for the reinstatement by employers of their men who have served in the armed forces

applied also to men in the merchant navy, and they are also covered for pensions, not by the Pension Act but by order in council.

We have this situation on the Pacific coast. All of the Canadian Pacific *Empress* boats have been taken over for troopships as well as some of the boats running between Victoria and Vancouver. Just to-day I received a letter from a lady who said:

I personally know of two cases, one a survivor of the *Empress of Asia* and the other an injured member of the crew of one of the other *Empresses*, who soon after their return to Vancouver after serving fourteen months in the war zone received a request for payment of income tax for the year 1941.

She goes on to say:

This is an injustice. These men are as much in the firing line as the navy.

I think that situation should be met by some change in the act. The merchant navy is really the fourth arm.

Mr. ILSLEY: I would not be frank if I said that I would give the matter favourable consideration, because to do so would be entering upon a road the end of which we would never reach. The men in the merchant navy are running terrific risks and giving marvellous service, but I cannot admit that as a reason for income tax exemption. They are not being paid by the crown. We know nothing about their rates of pay, bonuses and things of that kind. They are paid by private employers. The reason given repeatedly in arguments that have been made for exemptions for certain members of the forces has been that we were paying them money to fight for us and that we should not take part of it back. That does not apply at all to members of the merchant navy. If we start assessing degrees of danger and risks assumed by Canadians who are not in the employ of the government at all-

Mr. GREEN: What about the men who will serve on the new merchant ships we are building? Are they not going to be employed by government companies?

Mr. ILSLEY: It may be a government company, but it is still a company. I am simply saying that members should not try to push the government step by step, because that is what it amounts to, right along the line of extending income tax exemptions because they are impressed with the risks or dangers that people are running. I have already told the story to-night of what happened in connection with the exemptions that we did insert in the act contrary to the practice of Great Britain and the United States, and now we are being pushed still further. We have heard 44561-276

speech after speech to-day urging us to extend exemptions to a great number of officers here in Canada, and now we are being asked to go outside our own armed forces and consider those in private employment or in the employment of corporations on account of the risks they run. Next we shall be asked to extend exemptions to someone else who runs just as much risk, and next perhaps exemption may be sought for people who live on the coast instead of in the interior. That is a road to which there is no end. I may be thought to be lacking in sympathy. I am not at all. I am tremendously impressed, as we all must be, with the splendid service the men of the merchant navy are giving, but let us recognize it in some other way than by shooting our revenue system all full of holes, just causing it to disintegrate.

Mr. GRAYDON: The minister talks about being pushed along step by step. Perhaps my eyes are deceiving me, but if this is the minister I think it is, he has not been pushed very far on matters like this in all the time I have been here in the house, and I give him considerable credit for that. He is one minister who does not get pushed around very much. To-night, however, I think he is feeling a little sorry for himself when he makes the statement he has just made. While I have every sympathy for his position, surely we as members representing the people have a right to bring to the minister's attention the plight of people such as those in the merchant navy, and no matter what the minister may say I do not apologize for raising my voice in this house on their behalf. I am sure the minister would not ask me to do so, and yet that was implied in the remarks he has just made. The minister may not have been impressed by the arguments that have been advanced, and evidently he does not consider them convincing. But at the same time I do not think he should by implication suggest that they are matters which should not be brought to his attention; for the House of Commons is the one place where members can bring before the government grievances, complaints, suggestions and constructive criticism. Perhaps the words the minister used did not express just what was in his mind. I would hope that he would welcome suggestions such as are being made here to-night, and made in good faith, not with the idea at all of making the government retreat in some direction not in the public interest. If the minister is going to retreat on this question, it will be the first retreat I have ever seen him make since I entered the house in 1936.

Mr. BLACKMORE: I have listened to the discussion all afternoon and thus far this evening, and I have found that there have been objections to almost every impost proposed in this budget. I have found no one who has given the budget his full approval. I take that as evidence that the whole tax structure is too severe. Of course the minister will say that he must have the money, thereby indicating that there are two points of view which are clashing and that we have not found the right way of doing the thing. I just wish to say that the minister has not allowed for the needs of a people at war. This afternoon he cited the income tax of Great Britain and the income tax of the United States, and indicated that the Canadian income tax structure is no more severe than theirs. Even so, we can understand why the British income tax should be severe, why purchasing power there would have to be limited rigidly, because there is a shortage there of all kinds of goods, a shortage of resources. But that is not true of Canada. We have plenty of man-power and plenty of woman-power to produce all the goods and services that the people of Canada can use, as well as provide all we need for our allies and for the conduct of the war. To say that simply because Great Britain's income tax has to be severe, therefore Canada's has to be, is to draw a false conclusion.

Just to show that there is altogether another side to this question of the needs of the people, I propose to read into *Hansard* a little statement which is found in a publication, *Labour*, coming over from the United States. In the issue of July 14, 1942, I read the following:

The American Federation of Labor has estimated that a family of five must have an income of \$44 a week, at present prices, to live in "health and decency," and of at least \$30 for "bare subsistence."

Figures like that make all the minister's remarks in extenuation of his income taxes look like so much piffle. The minister said in his budget speech that he had in mind a standard of health and decency. During my reply to the budget speech I asked a question which was designed to see if the minister had formed any conception as to what constitutes a decent standard of living, but the minister had no conception, or at least he was not prepared to take the house into his confidence with respect to what his conception was. The advisers to the minister seemed to have no notion whatsoever as to what constitutes decency in regard to a standard of living in Canada.

This tax structure is so severe that the suffering and deprivation which it is going to [Mr. Graydon.] necessitate for a large percentage of the Canadian people is so great as to be a disgrace to the minister, and to render an effective war effort impossible—and "impossible" is the word. I think that all hon. members need to do is to multiply \$44 a week by fifty-two and compare that with what the average family will have left when the minister has finished with them this year, or to multiply \$30 by fifty-two, to see how disgraceful this tax structure is.

It will be said that we must have the money. I am not going to enter into a discussion of this subject on this occasion. The hon. member for Parry Sound (Mr. Slaght) deserved well of his country the other night. It was a noble and courageous thing for that man, in the position he occupies in his country and his party, to rise in his place and make the declaration he made, and he would not have made it if he had not believed it to be true. I say that when that hon. member, with all his intelligence and experience, has become convinced that what he advocated on that occasion is true, that may well constitute a warning and a challenge to every hon. member in this house.

Mr. MacNICOL: Did you not hear the reply of the finance minister?

Mr. BLACKMORE: Yes; the reply of the finance minister was childish.

Mr. MacNICOL: It was a masterly address.

Mr. BLACKMORE: The finance minister's reply was childish. I am not going to take the time to go into it, but there simply was no complete argument or answer to the hon. member for Parry Sound; and the hon. member for Vancouver-Burrard (Mr. McGeer) completely devastated every argument the minister advanced.

Mr. HANSON (York-Sunbury): It is a wonder that they do not join you.

Mr. BLACKMORE: True. It is easy to make smart-Aleck, foolish wise-cracks. To make a sound and factual argument is another and a different matter.

Mr. MacNICOL: Does the hon. gentleman say that the two hon. members did make sound factual arguments?

Mr. BLACKMORE: Most certainly! The hon. member for Vancouver-Burrard was unanswerable. I say that the hon. member for Parry Sound did his country a great service on that occasion. He pointed a way which would provide Canada with a means of escape from the dreadful situation of economic slavery into which we are being driven.

Up to the present time there has been some pretence on the part of ministers of the crown that they believe in the principle of equality of service, equality of sacrifice. On every occasion here this afternoon and all day yesterday it was shown over and over again that such a thing as equality of service, equality of sacrifice, has simply completely departed from the minister's mind. It is no longer a guiding principle.

I want to repeat this one remark. Something must be done to find a way in which the war effort of this country can be carried on without such a ruinous system of taxation, and I testify, Mr. Chairman, that the system can be found, and that if hon. members do not find it, instead of indulging their time in smart-Aleck wisecracks, they will stand condemned before all generations that follow us in Canada.

Mr. MacNICOL: I merely have a question to ask; I shall be very brief. Recently in front of this house we saw a battalion of fire-fighters parade before going overseas. I believe that that unit is now overseas and that one or two battalions are to follow. In what position will they be in comparison with officers of the regular army? They are going into very hazardous work in London and in other cities, fighting fires; they are called overseas fire-fighters. Will they benefit by any of the exemptions which are accorded officers of the regular forces?

Mr. ILSLEY: They are not covered by the section, no.

Mr. HANSON (York-Sunbury): They are not enlisted men.

Mr. ILSLEY: No.

Mr. MacNICOL: I thought they were enlisted men.

Mr. ILSLEY: No.

Mr. GREEN: They are not in the army.

Mr. MacNICOL: They were enlisted here under direction of the military authorities. Is not Huff, the chief commander, an officer in the Department of National Defence?

Mr. ILSLEY: I understand they are not members of the forces. They are not members of either the army, the navy or the air force.

Mr. HANSON (York-Sunbury): Therefore the statute does not apply.

Mr. ILSLEY: That is right.

Mr. HANSELL: I have not spoken on this budget. I think it is the first budget presented luring my short experience in the house on 44561-2763

which I have not spoken. Perhaps that is because the taxation is so drastic that—well, I just choked when I began to figure out the taxes. I usually write to my wife several times a week, and when the budget was brought down and I began to figure out this income tax I did not know what to write. Accordingly I scratched only a little note, and it went this way:

Dear Sweetheart:

This is only a short note as I am too full for words.

An hon. MEMBER: Shame!

Mr. HANSELL:

I want you to know that you are the best wife a man ever had. Right up until now I have always considered you my greatest asset. But I have been figuring out the meaning of the new budget and I find my good friend Mr. Ilsley, through some sort of money magic has changed you from an asset into a liability.

I am sorry sweetheart; you are just as beautiful as ever, just as lovable, and I haven't changed towards you. Nothing has changed except the figures, but figures don't lie—not these figures.

With all my very best, Your loving husband.

I have not had an answer.

It does seem to me that there is a great deal of merit in the proposal that we should use our own credit facilities to create our own money. Of course the country and this house are well aware of the position this group takes. I do not claim to be an expert, but I have common sense enough to know that a hen scratches and a duck swims. There is one thing about which I have been very much concerned and puzzled. I should like to ask the Minister of Finance one question. He may not want to answer it. The question is, Is it possible for a millionaire to get any more sugar in Canada than a poor man? We might say no, that sugar is rationed, so he cannot get any more. Assuming the minister says no-that has to be his answer or else the rationing system is all haywire-my next question is, Why could you not ration practically everything in time of war? Then people could buy only so much, and what great difference would it make then whether we were taxed at all? What difference would it make then if we all had a fair amount of money and we create the money that we need with our own credit facilities without going into such tremendous debt which some day we shall have to pay, for there is going to be a day of reckoning some day.

Amendment (Mr. Mackenzie, Vancouver Centre), agreed to.

Resolution 1, part I, as amended agreed to.

Mr. HANSON (York-Sunbury): What does that mean that we are carrying?

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): All of resolution No. 1, I take it.

Mr. ILSLEY: I thought it was the whole section down to the middle of page 3, including the graduated rates of tax. That is resolution 1.

Mr. HANSON (York-Sunbury): Oh, no.

Mr. BOUCHER: Looking at the wording of the resolution it does create some confusion. There is I in Roman numerals for "normal tax" on the first page. Then you come to the figures 1, 2 and 3 in brackets which are definitely part of that. Later you come to II in Roman numerals, and again you come to the figure 2 in plain figures. The numbering is confusing.

The ACTING CHAIRMAN (Mr. Macdonald—Brantford City): Resolution 1 extends down as far as "\$69,925 upon income of \$100,000; and 85 per centum upon the amount by which the income exceeds \$100,000." That is resolution 1. Shall resolution 1 as amended carry? Carried.

Resolution 1, part II, agreed to.

Resolution 1 as amended agreed to.

2. That the exemptions of \$1,500 and \$750 shall be reduced for the purposes of the graduated rates to \$660 for all persons.

Mr. HANSON (York-Sunbury): This, I think, raises the whole question of the principle upon which tax exemption should be based. The old principle has been abandoned, and by resolutions 3, 4 and 5 a new principle of deduction from tax has been adopted. I adverted to this in my speech on the budget on June 30 last, as reported at page 3792 of Hansard, the second column. I do not want to put that again on the record, but there is a very substantial difference in the basis of this deduction. With reference to resolution 4-

That in lieu of the deduction of \$400 from income for each dependent child or grandchild there shall be allowed a deduction of \$80 from the tax payable under the graduated rates.

---and that in the case of a married person under resolution 3, or a person heretofore entitled to exemption equivalent to that of a married person, there shall be allowed as a deduction an amount of \$150, I hold the opinion that the old provision was preferable. Perhaps that is because we are accustomed to it. That may be the psychology of the thing. But on mulling the matter over, I would ask, is this as advantageous to the taxpayer under the new increased rates as the

[Mr. Hansell.]

old deductions from the amount of taxable income were on the then existing rates, or how does the matter stand?

Mr. ILSLEY: It is just about impossible to give an answer except to get out the schedule and see what the taxpayer is taxed this year and last. I put a schedule on Hansard with the budget speech for that purpose, and comparisons have been made since and published in the newspapers. There has been a decrease in pure tax in some of the lower brackets, but for the most part of course the tax is increased to a considerable extent. As I explained this afternoon-I think the leader of the opposition was present-the flat \$150 is better than \$750 deduction from income on account of a wife in the lower income groups but not as good in the higher, the same as with the children. One hundred and fifty dollars is 20 per cent of \$750, the tax advantage of having a wife, if I may put it in that way. Accordingly, if a person were paying 20 per cent, his advantage was \$150 last year. If he were paying 15 per cent, the lowest rate, it was not that much and by being married he is getting a bigger tax advantage to that extent.

Mr. HANSON (York-Sunbury): You are going to adhere to this?

Mr. ILSLEY: Oh, I think so.

Mr. HANSON (York-Sunbury): Then let it go.

Mr. GREEN: Apparently the basis last year was that the married man was allowed an exemption \$750 higher than that of the single man. That was the basis last year, was it not?

Mr. ILSLEY: Yes.

Mr. GREEN: This year, for some reason or another, the minister has converted that to a basis of allowing a fixed amount to be deducted from the tax.

Mr. ILSLEY: That is right.

Mr. GREEN: Then I suggest that the exemption should be figured on, at least, the lowest tax rate paid this year, which is 30 per cent; that you should allow 30 per cent on the \$750, which would be \$225 which might be deducted from the tax, rather than \$150. I do not see what last year's tax has to do with the matter at all. It seems to me that it should not be brought into the picture, but that the exemption should be based on the rates of this year.

Mr. ILSLEY: It would, I believe, cost twenty-four or twenty-five million dollars to do that. If there were 400,000 married men in Canada and you allowed an exemption of \$215 per wife instead of \$150, that would be an additional \$65, which, multiplied by 400,000 would come to something like \$26,000,000. But I will not put my argument on the basis of cost, for in connection with a few of these items we might have less revenue instead of more if we accepted some of the suggestions that have been made. This is the most expen-sive change suggested yet, but the answer I should like to give is this, that if we were keeping the 30 per cent that might be all right, but we are not. We are giving back half of it, in the lower brackets, and then the returnable portion tapers down to less than half as you get into the higher brackets. Therefore I think it would be entirely unfair-

Mr. GREEN: Why was the basis changed?

Mr. HANSON (York-Sunbury): That is what I should like to know; what was the reason for changing the basis? Was it to get more money? Is that about the size of it?

Mr. ILSLEY: The process of preparing a taxation scheme is a long one. Formula after formula is devised to get perfect progression and to achieve justice as between single and married persons, as well as to get the revenue desired. All those factors go into the making of a new income tax schedule. Here the difficulties were very great once we decided to retain the national defence tax principle and to combine the national defence tax with a graduated tax; it was extremely difficult to combine all those factors. The results seem to be such that every objection can be pretty well answered, except the one objection that the tax is very heavy. You cannot answer that; it is heavy. I do not try to answer that; I admit it. But I think I have a pretty reasonable answer to every criticism on the grounds of discrimination, or unfairness as between groups, or anything like that, and this formula gives those answers. It incorporates the principle that the tax advantage will be equalized for poor and rich. The poor get a little greater tax advantage by reason of having a wife or by reason of having children than they did last year, while the rich get considerably less tax advantage than they did formerly. It is arguable as to whether or not that change is correct. It has some very interesting implications if it is thought through, but it was thought through, I think from every point of view. It was decided to adopt the principle; we have adopted it, and I do not see that any reasonable objection can be taken to it. If we are to convert the formula into terms of tax advantage, there is quite a lot to be said against giving the

Income War Tax Act

very wealthy man a tax advantage of \$300, perhaps, for having a child, and giving a poor man a tax advantage of only \$60. Now each receives a tax advantage of \$80. At any rate, there it is.

Mr. GREEN: The same thing is true of the exemptions in respect of children?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): The motivating factor was the necessity of getting more money, and this is the means that was taken?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is one of the most important factors of all, is it not? That is the main factor in these tax increases?

Mr. ILSLEY: I would not say that.

Mr. HANSON (York-Sunbury): Well, it runs into a great deal of money. It is the biggest single item, I should think.

Mr. ILSLEY: It is very important, certainly.

Mr. MacINNIS: Considerable criticism has been offered with regard to the minister's methods of raising money. I have heard it said several times that he levied this or that tax because he had to get the money. I think we must admit that he has to get the money; that the taxes must be heavy because the revenue must be obtained, and under those circumstances the only consideration we can press for is that the tax shall be equitable. We have said many times, and now I think for the first time it has been admitted in this house, that not what a man pays but what he has left is the criterion of his sacrifice so far as taxation is concerned. For years I have maintained that the figures of \$1,500 and \$750 were too low, to start with. I doubt very much if those who worked out the formulas on which these tax schedules are based would like to carry on with an income of only \$750, which now has been reduced to \$660. We must remember that in spite of price ceilings and all that sort of thing the cost of living is going up. Not only that; a person who to-day has an income of \$660, or any similar income in wages, has innumerable deductions made from that income which were not made a few years ago. I was shown a slip that came in a pay envelope some little time ago, and it showed eight or nine different deductions. There was a deduction for unemployment insurance, another for the purchase of war savings certificates, another for a contribution to the Red Cross, and deductions for this, that and the other thing. The result is that the worker does not get \$660 at all, but much less.

In other years the amount raised by taxing these low incomes has been very small indeed. Early in the session I asked a question with regard to these matters, and the reply to that question may be seen in *Hansard* for March 23, 1942, at page 1512. My first question was:

1. How many persons in the calendar year 1940 paid income tax on, (a) incomes of more than \$750 but less than \$1,000; (b) incomes of more than \$1,000 but less than \$1,500?

And so on. It appears that it was impossible to give me an answer as to these low incomes, but my question was answered as the number of persons paying on incomes up to \$2,000, and the total number of persons for the calendar year 1940 who paid income on that amount was 127,954. These 127,000 persons were assessed in income tax slightly over a million and a half dollars. This shows the large number of people in this country who are receiving incomes of less than \$2,000. When we were talking about the excess profits tax the minister said that he found it politically necessary-I do not mean in the party sense-to allow the exemptions on excess profits tax as an incentive to more economical production. These are people who have a great deal more than what they get out of these profits. They get in some cases quite high salaries, and they want a further incentive. What incentive is left to the wage slave working for an income of less than \$1,000, less than \$700 in many instances, and less than \$500 in many other instances? Of course, the latter are not taxed directly in income tax on \$500, but as soon as the individual reaches \$660 he is taxed. This exception of \$660 is too low. The exempted amount should be the same as it was last year and the year before, namely \$1,500 for married persons and \$750 for single persons.

Mr. QUELCH: When the wife is living with her husband and has an income of less than \$660 it is exempt from taxation. But are there any conditions under which that income would be added to her husband's? If not, what is there to prevent the husband from transferring certain property to his wife in order to evade the income tax?

Mr. ILSLEY: The transfer is not recognized for income tax purposes. There are carefully drawn sections in the Income War Tax Act in that regard.

Mr. QUELCH: As of what date?

Mr. ILSLEY: It has been there many years. [Mr. MacInnis.] Mr. QUELCH: If the property had been transferred to the wife before this taxation became heavy, would that transfer be allowed?

Mr. ILSLEY: There have been amendments since the beginning of the Income War Tax Act, and any transfer made after the passing of the relevant section is not recognized.

Mr. QUELCH: Under any other conditions the wife's income is not added to that of the husband? If she derives it from property which is left her by will or which she acquired by purchase in her own name, then that income is not under any conditions added to her husband's? In Alberta the income of the wife is added to the husband's, and I know of many men, including myself, who have been paying on their wives' incomes in the belief that the law was the same as it is in Alberta.

Mr. ILSLEY: Is it a joint income in Alberta?

Mr. QUELCH: Where the wife has property in her own name and gets an income of less than \$660, that would be added to the husband's income, but federally it is not?

Mr. ILSLEY: We do not do it here because we would have to get returns from every married woman, no matter how small her income might be. The married woman with a \$10 income would have to make a return.

Mr. QUELCH: In Alberta the husband merely includes it in his income.

Mr. ILSLEY: He includes it in the return of his income?

Mr. QUELCH: Yes. Federally, he does not have to?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): It has been the law that gifts to a wife from her husband, from which an income is derived, must be included.

Mr. ILSLEY: Yes. That is regarded as his income.

Mr. HANSON (York-Sunbury): No matter when the gifts were made?

Mr. ILSLEY: After the passage of the act.

Mr. HANSON (York-Sunbury): I always thought that was very unfair.

Mr. JOHNSTON (Bow River): If the wife's income is less than \$660 she is not required federally to turn in an income tax return.

Mr. ILSLEY: No.

Resolution agreed to.

3. That a married person, or a person heretofore entitled to an exemption equivalent to that of a married person, shall be allowed as a deduction from the tax payable under the graduated rates, an amount of \$150.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): There is an amendment which has been already moved. Is it the pleasure of the committee to adopt the amendment?

Amendment (Mr. Mackenzie, Vancouver Centre) agreed to.

Resolution as amended agreed to.

Resolution 4 agreed to.

5. That a deduction from the tax payable under the graduated rates be allowed a taxpayer to the extent of 20 per centum of the amount actually contributed for the support of a dependent parent or grandparent, or a brother or sister under eighteen years of age or eighteen years of age or over and dependent on account of mental or physical infirmity, or under twenty-one years of age, upon proof that such brother or sister is a student at a secondary school, university or other educational institution; provided that the maximum credit herein shall not exceed \$80.

Mr. HANSON (York-Sunbury): The same principle is in the law now, but the amount is changed.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): It is based on the \$80 deduction from the tax?

Mr. ILSLEY: Yes.

Resolution agreed to.

6. That one-half of the total taxes payable by a taxpayer under the normal rate of tax and the graduated rates of tax shall be refundable to a taxpayer

provided, however, that such refund shall not exceed

Eight per centum of the income of a single person, or \$800, whichever is the lesser; or

Ten per centum of the income of a married person, or \$1,000, whichever is the lesser; plus One per centum of the taxpayer's income for

each dependent, or \$100, whichever is the lesser.

Mr. FRASER (Peterborough West): In the case of a married person, suppose the wife had an income and the husband had an income; would so much be allowed out of each income, or would it be a straight \$1,000 for the two of them? The deduction would be made on each income?

Mr. ILSLEY: Yes, that is right.

Mr. SHAW: First I should like to say that I believe the minister is imbued with considerable courage when he introduces a policy of enforced savings alongside of an anticipated

system of voluntary savings. I have no doubt the minister has had a number of headaches in connection with matters financially, but I anticipate further headaches for him when he undertakes to operate these two systems in competition one with the other.

On a previous occasion in this house I stated that there was an aspect of the savings policy with which I took issue. I know as a fact that during the past couple of years employers have made contribution to the voluntary savings almost a condition of employment regardless of the circumstances of the individual. Some of the committees which have functioned in connection with this system of voluntary savings have in many instances made the extent of one's contribution a barometer by which his patriotism should be judged. In my estimation such practices are not commendable in any sense. Unless definite instructions are given to these "icers, I visualize this condition becoming m 'h more critical under the combined systems of enforced and voluntary savings. Those in the lower income brackets who will be called upon to make compulsory contributions towards a post-war credit, if we may call it that, will find that as much if not more pressure will be put upon them by these committees. Unless these committees refrain from carrying on the practices now in effect, some very unsatisfactory conditions will occur.

I am afraid we do not properly differentiate between taxation and compulsory savings. I have always contended that the one is immediate taxation and the other is deferred taxation, much more vicious than heavy immediate taxation. This compulsory saving is looked upon as a post-war credit. In other words, it is considered as a nest-egg which may be drawn upon during some period following the cessation of hostilities. In Great Britain they have had these two policies in effect, that is, compulsory savings and an excess profits tax, a portion of which is refundable. The industries in Great Britain undertook to label these refundable taxes, to use the minister's phrase, as assets, but the organized accountants of Great Britain refused to accept them as such in the ledgers of the companies. I should like the minister to explain the principle whereby the organized accountants in Great Britain have refused permission to the companies there to consider these returnable taxes as assets.

Mr. ILSLEY: The returnable taxes which were not recognized as assets were that part of the excess profits tax to be refunded after the war. It was not the tax upon the individual at all.

Mr. SHAW: The same principle would apply to the individual.

Mr. ILSLEY: Not at all, because there were certain conditions attached to the 20 per cent of the excess profits tax. The first year the 20 per cent tax was imposed it was provided that 20 per cent would be returned under certain conditions. I do not know whether those conditions were the same as the conditions suggested by the leader of the Cooperative Commonwealth Federation (Mr. Coldwell) for the return of 20 per cent of our tax, but they were probably something similar. Those conditions destroyed the returnable portion of the tax as an asset. The accountants contended that if the 20 per cent was to be returnable only under certain conditions, if it was to provide employment or to be used to create capital goods, a building or something of that kind. then a company would not know whether they could qualify for the return and therefore it could not be called an asset. The government found that this fact was having a deleterious effect upon production and they backed away from that position. Under this year's budget they are returning it without any strings attached. When I had to make my budget this year I gave careful consideration to whether strings should be attached to this 20 per cent, and I decided finally to take the responsibility of attaching no strings. I knew it would be said in the house that this would be used to pay dividends and bonuses, but I decided that I would have to take that position and would have to meet these arguments as best I could. It was either the companies' money or it was not, and I decided that this 20 per cent would be considered as the companies' money. Perhaps that answers the question of the hon. gentleman.

Mr. SHAW: I am sorry to say that it does not. I understand there are no strings attached to the returnable portion in Great Britain this year. If there are no strings attached, why cannot that portion be regarded as an asset?

Mr. ILSLEY: It is.

Mr. SHAW: No, it is not. I believe the organization of chartered accountants in Great Britain dictates the policy in this country, and in May of this year this organization refused to allow the returnable portion to be entered as assets on the books of the companies, even though there were no strings attached to that returnable portion.

Mr. ILSLEY: That was since the budget? Mr. SHAW: Yes. [Mr. Ilsley.] Mr. BENCE: Was that not because it was not assignable?

Mr. SHAW: I am trying to get an answer, and the hon. member for Saskatoon City (Mr. Bence) has questioned me. As I say, immediate taxation and compulsory savings are merely different forms of taxation; compulsory saving is a deferred type of taxation.

Mr. ILSLEY: That would not be the reason at all. Has the hon. gentleman the report, because I think the reasons must have been given?

Mr. SHAW: I have a section of the report which I shall read.

Mr. ILSLEY: There must have been some conditions imposed even this year. That would be the answer.

Mr. SHAW: Let us make it abundantly clear that there were no conditions attached. I quote from *The Accountant*, which is recognized as the weekly organ of chartered accountants and accountancy throughout the world, this extract which is reproduced in the *Western Producer*:

. . . we sometimes wish that the chancellor of the exchequer when making budget announcements would help us all be a little clearer in the mind about the effect of contributions which are enforced through taxation. The famous "post-war credit," which is still as vague as ever, is a case in point. This is constantly represented to taxpayers as a benefit which will come back to them in the future. We think that the accountancy profession has rightly treated this benefit by ignoring it when evaluating the assets of commercial concerns....

Mr. ILSLEY: Whose words are these?

Mr. SHAW: I am quoting from *The Accountant*, the subtitle of which is "The Recognized Weekly Organ of Chartered Accountants and Accountancy Throughout the World." I proceed:

It seems incredible that the intention can be to pay it out in money but even if it were so disbursed at a future time, that could only be done by increasing taxation in parallel, thus redistributing as a burden on a possibly different body of taxpayers the payments made by their predecessors.

I am quoting that, Mr. Chairman, for this reason, that we in this country are wont to look upon immediate direct taxation as being something entirely different from taxation which in fact becomes compulsory savings or deferred taxation.

I go a step further and say that we might just as well look upon all taxation, including that which is not returnable and that which is, as being taxation. I do not think we should differentiate between the two. The only thing is that we pay the one to-day and the other

to-morrow, with interest. Therefore when we talk about looking forward to the post-war years and the savings we shall have accumulated by virtue of this legislation we must bear in mind that our taxation following the war must be paralleled with our debt. In effect we are going to pay ourselves back when the war is over.

I think the same principle that applies to corporations or to any business applies also to the personal income tax on individuals. Therefore let us regard this thing in its true light and regard it as being one further condemnation of the financial system. The *Western Producer*, in commenting upon the extract I have read from *The Accountant* and I think it is only fair to say that the *Western Producer* views matters with a good deal 'of thought and consideration before printing anything—has this to say in an editorial of July 9:

The devices to which orthodox finance is being driven-

Mark these words:

-to save itself in these critical times serve only to expose its true nature to every intelligent observer. It is every day becoming clearer that the effort to maintain and fortify the financial system is proving an incalculable hardicap in the whole war effort and not less harmful in undermining the confidence of the people in the sincerity and singleness of purpose of those responsible for the conduct of the war. Mr. Ilsley's innovation which some master of irony has called "compulsory saving" is only one step in many which lead to the inescapable conclusion—if the war is to be won our whole financial system must be recast. I think those is a good deal of meet in that

I think there is a good deal of meat in that paragraph, and I trust that in the remarks which I have made the Minister of Finance will find it possible to agree with me. The facts are rather difficult if one should undertake to refute them.

Mr. JOHNSTON (Bow River): The minister proposes to increase the revenues through the principle of compulsory savings. I do not agree with that, and for this reason. The people in the lower income brackets, from whom the minister has told us on several occasions he expects to get a tremendous volume of revenue, are going to be forced to lend their savings to the government at 2 per cent. This compulsory savings feature means that all the people within the low income brackets will be able to buy no more victory loan bonds or war savings certificates, because they are being compelled to turn over to the government a certain portion of their earnings by way of com-pulsory savings. When the minister comes out with another victory loan, as I presume he will some time this year, he will have only one class of people from whom he can raise

the money, namely, those with a sufficiently large income that they have money to spare to invest in victory bonds, and they will be able to invest their money in victory bonds at 3 or $3\frac{1}{2}$ per cent.

Mr. ILSLEY: Three per cent.

Mr. JOHNSTON (Bow River): But the man with a small income who is forced to loan his savings to the government will get only 2 per cent on his loan.

Mr. ILSLEY: Because it is for a shorter term.

Mr. JOHNSTON (Bow River): Why force the man with a small income to take 2 per cent, while the man with the high income can buy victory bonds and get 3 per cent?

Mr. ILSLEY: Because we think 2 per cent is a fair rate for a short term.

Mr. JOHNSTON (Bow River): But you are forcing something on him that he does not wish to do. You are compelling him to take 2 per cent whether he likes it or not, and you are giving the other fellow the opportunity of getting 3 per cent. The walthy man gets 3 per cent when he buys victory bonds, but the man with the small income is forced to turn his savings over to the government and take only 2 per cent. Why does the minister not take the opposite stand and say: "On the compulsory savings we will give you 3 per cent, and on the voluntary loans, we will give you 2 per cent." There would be more sense in that.

Mr. ILSLEY: No, there would not be.

Mr. JOHNSTON (Bow River): You do not give the little fellow any option. He is compelled to turn in his savings and take 2 per cent.

Mr. ILSLEY: The only reason why we do not take it from the big income man at 2 per cent is because we take it and keep it from him.

Mr. JOHNSTON (Bow River): You do not do that on the victory loan. You give him 3 per cent.

Mr. ILSLEY: To the small income man we pay back after the war as much as half of what we take from him, but to the big man we pay back only a very small percentage of what we take from him, and the limit we return to him is \$1,000. My hon. friend, if he argues it out, cannot make this out to be a favour to the rich. I assure him of that.

Mr. JOHNSTON (Bow River): I think it definitely is a favour to the rich.

Mr. ILSLEY: I know he will try to.

Mr. JOHNSTON (Bow River): Resolution 6 provides that the returnable portion shall not exceed 10 per cent, or \$1,000, whichever is the lesser. But in the one case the man with the low income is forced to invest his savings at 2 per cent, while the other fellow can put his surplus savings into victory bonds and get 3 per cent. Furthermore, by this taxation, you are putting the little fellow into a position where he has no money to invest in victory bonds and he is forced to take 2 per cent on his compulsory savings.

Mr. GRAYDON: Are you in favour of interest-free loans?

Mr. JOHNSTON (Bow River): No, I am not, in that instance, because I say that in one case you are barring the little fellow from investing at 3 per cent any money he might have left over, and I do not think that is a fair deal.

Mr. ILSLEY: I do not want any more of this than is necessary, to get abroad. I expect a certain amount of it; it is part of my lot in life. But just consider what we are doing here in the budget. Forget about the victory bonds for a moment; I will come to that in the second stage. In this budget we are agreeing to return as much as one-half, in the lower incomes, to the little man. As for the big man, from whom we are taking a large percentage of his income, we are keeping nearly all; we are not paying him 2 per cent; we are not paying him any per cent. We are returning very little to him in proportion to what we take.

Mr. HANSON (York-Sunbury): That is, the excess profits?

Mr. ILSLEY: No, that is the returnable proportion. The proportion of the total taken from the small man which we return is 50 per cent, and the proportion of the total taken which we return to the rich man is about 10 per cent, or rather it runs away down, far below that. There is a limit of \$1,000. If we were favouring the rich or treating the rich as well as we treat the poor, proportionately, we would be agreeing to return half of what we take from the rich man and pay him 2 per cent; but instead of that we are keeping all but a small proportion.

My hon. friend says, "Oh, yes, but the rich man is going to be able to save more money and buy victory bonds; the poor man is not." To begin with, I do not agree with that. But let us assume that it is so.

Mr. JOHNSTON (Bow River): Where will you sell your victory loan, then, if you put another one out?

[Mr. Ilsley.]

Mr. ILSLEY: We will sell war savings certificates and small victory bonds to the small wage-earners. My hon, friends may say that we won't, but we will.

Mr. JOHNSTON (Bow River): But a lot less than you did before, because your field is so much narrower.

Mr. ILSLEY: You can cry "defeat" all you like, but we are going to do it, and we know how. However, before eleven o'clock I want to deal with this victory bond argument. Let us say that the small fellow is not going to buy any war savings certificates and victory bonds, but the higher-income man is. I do not admit that that is so, but for the sake of argument we will agree that it is so. Is it unfair to pay the man who does buy victory bonds 3 per cent? That is, is it unfair to pay 3 per cent for ten- or twelve-year money, and 2 per cent for two-year money? Is that unfair? I know it is going to be argued that it is. But we have borrowed money from the banks at 15 per cent; we have borrowed money from the banks also at two-thirds of one per cent. That is what we pay the hated banking institutions. Why? Not because the banks are generous or anything like that, but because it is short-term money and because it is not worth as much as long-term money is. Two per cent is a fair rate for money for that term. We have to take some little chance there; we cannot get the thing so scientifically correct.

Mr. JOHNSTON (Bow River): But you are forcing him to take that small rate.

Mr. ILSLEY: But we are forcing the big fellow to let us keep the money and not return it at all.

Mr. JOHNSTON (Bow River): But there is this distinction—

Mr. ILSLEY: Oh, well, forget it.

Mr. JOHNSTON (Bow River): You cannot dismiss it so easily, though.

Mr. ILSLEY: I have not dismissed it easily. I have worked it out.

I think I should correct a statement I made to the hon. member for Peterborough West. I do not know that I understood him correctly. I think he asked whether the 10 per cent would apply to both the income of the husband and the income of the wife.

Mr. FRASER (Peterborough West): If they both had income, would they both be allowed to deduct the 10 per cent?

Mr. ILSLEY: I think not. It is not clear. I think the one would be 10 per cent and the other would be 8 per cent. Mr. HANSON (York-Sunbury): Is this under resolution 6?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I was going to ask that question, to be clear. Where the husband and wife both have income, they are treated under resolution 6 as if they were single persons. Would they be both entitled to only the \$800, or under the 8 per cent rate?

Mr. ILSLEY: I shall have to think about the matter between now and Monday, but I believe the implication of another amendment is that, as regards earned income, she is regarded as a single person and he as a married man. That would give him 10 per cent and the wife 8 per cent.

Mr. FRASER (Peterborough West): That refers to earned income?

Mr. ILSLEY: That refers to earned income, ves.

Mr. FRASER (Peterborough West): But supposing it was invested income, it would be ten?

Mr. ILSLEY: No, I think it would be eight.

Mr. FRASER (Peterborough West): On all?

Mr. ILSLEY: On all.

Mr. FRASER (Peterborough West): Then this item would have to be changed in the resolution?

Mr. ILSLEY: In the bill. That is right.

Mr. FRASER (Peterborough West): But I think that should be definitely clear now.

Mr. ILSLEY: We will make it clear.

Mr. FRASER (Peterborough West): Make it fair enough.

Mr. ILSLEY: Make it one thing or the other. I think it should be ten and eight.

Mr. QUELCH: One point I should like to ask the minister about relates to the purchase of bonds. In view of the fact that the minister and various bodies have stressed that one of the purposes of the bonds is to withdraw purchasing power from circulation, I can never understand why we have adopted the policy of encouraging the chartered banks to lend money to people to buy these bonds. A lot of pressure is brought on people to buy bonds by borrowing money from the banks when it is very well known that these people - Income War Tax Act

will not be able to repay the loan. I know places in the west, in the drought area, where banks have put up 90 per cent and the farmer 10 per cent, and in many cases the farmer has not been able to pay the 90 per cent, with the result that the bond remains in the custody of the bank. There are cases where people who bought bonds were not in very good shape to do so, and consequently they have had to sell them back. Would it not be advisable to make these bonds non-negotiable for the duration of the war, or if they have to be sold back, they might be sold only to the Bank of Canada; otherwise are we not defeating the very purpose which the minister had in mind?

Mr. ILSLEY: Well, we do not encourage people to borrow money from the banks to buy bonds if they cannot pay the money back, but we do encourage people to borrow for the purchase of bonds money which they can pay back.

Mr. QUELCH: Has the minister any record of how many purchases of bonds have been defaulted upon, and in how many cases the bonds have had to be bought in by the banks?

Mr. ILSLEY: I do not know.

Mr. QUELCH: Is it not true that for the first three months the rate of interest is the same; that is, the amount charged to the borrower is the same as the rate of interest on the bond, but after that the rate of interest is increased, so that if, after the end of, say another three months the individual cannot pay off the loan, he is bound to relinquish his bond, or give up the deal, because he is paying a higher rate of interest than he receives on the bond?

Mr. HANSON (York-Sunbury): There is no doubt that in the victory loan campaign people were asked to use their credit with the banks to make sure that the loan "went over the top". I do not know how far that has gone. Some people absorbed them out of other savings. What I objected to was that there was a slight scalping of $\frac{1}{2}$ of 1 per cent, which the people just absorbed, but afterwards the things went into the investing institutions.

Mr. QUELCH: Is that a sound practice? Does that not defeat the very thing which the minister is trying to accomplish? I consider that when the minister has obtained every cent that he can by taxation, and every cent that he can by the sale of bonds apart from the practice of lending money to buy them with, we have then reached the point where,

Secret Session of the House

if the money obtained in that way is not enough to meet government expenditures, some other method should be used. If we are going to create money we might just as well have it created by the Bank of Canada instead of the chartered banks, provided we adopt ways and means of preventing the chartered banks from using that new money as a basis for further expansion of loans.

I want an answer from the minister regarding that practice of obtaining money to buy government bonds by borrowing from the chartered banks. In the old country at the end of the last war it was found that the financial institutions owned 70 per cent of the government's bonds.

Mr. ROSS (St. Paul's): In 1939 we had an exhaustive investigation into the question of money and all that sort of thing. All I have to say is that all this "funny money" stuff gives me a pain. The point is this, just before we sit down—

Some hon. MEMBERS: Eleven o'clock.

Mr. ROSS (St. Paul's): I want the minister to listen to me for just a minute. The average working day of every individual is divided into various categories; that is, so much of your work you do for the support of your family, so much for the support of your church, so much for the support of—what shall I say? —pleasure, so much in support of your municipal services; it is divided up like that. One of the things we have neglected all these years is the defence of our country, and now we are paying for it. You cannot get away from it. Right at the present time every single one of us—

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Order.

Mr. ROSS (St. Paul's): Just one second. Might I finish?

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): With the unanimous consent of the committee.

Some hon. MEMBERS: Eleven o'clock.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): I regret that the hon. member has not the unanimous consent of the committee. It is eleven o'clock.

Progress reported.

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

[Mr. Quelch.]

Saturday, July 18, 1942

The house met at eleven o'clock.

WAR EXPENDITURES COMMITTEE

Fifth and sixth reports of special committee on war expenditures.—Mr. Fournier (Hull).

SECRET SESSION OF THE HOUSE

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the secret session of the house to be held this day be not reported in the official report of the House of Commons Debates and that at the conclusion of the secret session a report of its proceedings be issued under the authority of Mr. Speaker.

Motion agreed to.

The house went into secret session.

SUPPLY

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

Progress reported.

At the conclusion of the secret session, the following report of its proceedings was issued under the authority of Mr. Speaker:

"A secret session of the House of Commons was held at 11 o'clock a.m. on Saturday the 18th of July, 1942. The sitting was devoted to the question of coastal defence in Canada. The situation was explained by the three Ministers of National Defence.

J. Allison Glen,

Speaker."

On motion of Mr. Mackenzie King the house adjourned at 6.19 p.m.

Monday, July 20, 1942

The house met at eleven o'clock.

REPORTS OF COMMITTEES

Seventh report of special committee on war expenditures.—Mr. Fournier (Hull).

Third report of special committee on reconstruction and reestablishment.-Mr. Turgeon.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

*INCOME TAX-ARREARS FOR 1940 AND 1941

Mr. HAZEN:

1. How many persons have failed to pay any part of their 1940 income tax?

2. How many persons have paid only a portion of their 1940 income tax?

3. How much of the 1940 income tax remains uncollected?

4. How many persons have failed to pay any part of their 1941 income tax?

5. How many persons have paid only a portion of their 1941 income tax?

6. How much of the 1941 income tax remains uncollected?

7. How many persons applied to the banks for loans to pay their 1940 income tax?

8. How many persons applied to the banks for loans to pay their 1941 income tax?

Mr. GIBSON: I have given a good deal of consideration to this question. I would say that it is almost impossible to give an answer to the first part of it, because of the impossibility of saying with any degree of accuracy that every person has filed a return. Our officers are investigating at all times, and the numbers vary from day to day.

With respect to the second part of the question, we have found that returns are not always accurate, and they are being amended. Therefore it is impossible to say accurately the number of persons who have made full payment.

With respect to the third part of the question, I would point out that this information cannot be given with any degree of definiteness until final clearance is given in respect of each taxpayer. The same answer would apply to parts 4, 5 and 6. The hon. member will realize that the number of accounts for 1940 amounted to 663,000, and for 1941 to 920,000, and to answer these questions for any given date would entail going through the records of all those returns. In my view the labour involved would be completely wasted because the information obtained would be good for perhaps only one day, and would not be entirely complete even for that day.

We have no information with respect to parts 7 and 8 of the question, in which the hon. member has asked how many persons applied to the banks for loans to pay their income tax.

Mr. HANSON (York-Sunbury): I realize that there is a good deal of force in what the minister has said. I would not suppose that questions 7 and 8 could be answered, but what I think the hon. member who has asked these questions wants is the relative proportions of the 1940 and the 1941 income taxes that are in arrears, so as to be able to form some estimate of what the situation may be in respect to the tremendously increased personal income taxes for 1942. If there is no appreciable number of taxpayers who have failed to pay and we had that information, it would give us some indication of the attitude of the country.

Mr. GIBSON: An indication could be given as to what is in arrears, that is, in proportion to the returns already made, but these have not all been finally checked, and any figure given could not possibly be accurate.

Mr. HAZEN: I thought the Minister of Finance should have information of this kind before him when he came to make up his last budget. He should have known how many people were behind with their 1940 taxes and how many had not paid. He should have known how many were behind with their 1941 taxes and how many had not paid. He must have had some idea about how many people had had to go to the banks in both years to borrow money to pay their income tax.

Mr. ILSLEY: I could not get that.

Mr. HAZEN: I think that information should have been available to the minister when he came to frame his budget for the present year. It may be impossible to answer the question in the form in which it is put, but, if I may be permitted to say so, I have sometimes thought that the 1942 budget has gone altogether too far. We have to maintain in this country at this particular time some buoyancy among the people on the home front. We have to keep the home fires burning brightly, and if you adopt a policy, and it is possible that this 1942 budget will have that effect—

Mr. SPEAKER: I am afraid the hon. member cannot enlarge upon the matter. Question No. 6 must be considered as having been answered.

*PENSIONS-NORTHWEST FIELD FORCE OF 1885

Mr. CHURCH:

1. Have any applications for pension been received from the members still living of the 1885 Northwest field force? If so, from whom, and when?

2. What action did the committee on pensions take on this matter during the sessions of 1941 and 1942, when it was last before them?

3. How many veterans of this force (by provinces), are still living?

4. Are any of them said to be in need of some federal financial aid or assistance?

5. Will any action be taken this session to grant them the same treatment as veterans of the South African war receive?

6. What study has been made of the question?

7. What relief or action will be afforded?

Mr. RALSTON: I suggest that this question be made an order for return except as to question No. 7. In answering that question I would say that announcement as to any action to be taken will be made in due course.

GASOLINE RATIONING-MARITIME PROVINCES

Mr. PURDY:

1. Has any gasoline been shipped from Nova Scotia or New Brunswick to Ontario or Quebec, since May 15, 1942?

2. If so, what were the qualities and grades of gasoline involved?

3. When will all points in Canada be given the same gasoline ration?

Mr. HOWE:

1. No.

2. Answered By No. 1.

3. It is impossible at this time to state whether the gasoline coupon value in any particular district will be raised, lowered or maintained.

CANADIAN COMBAT VETERANS' ASSOCIATION OF BRITISH COLUMBIA

Mr. GREEN:

1. Were instructions given to a certain investiator by the name of Young, employed at Shaughnessy hospital in Vancouver, to visit the secretary or any other officer of the Canadian Combat Veterans' Association of British Colum-bia, Incorporated, to make inquiries regarding the activities of such association, or any other inquiries?

2. If so, by whom were such instructions given and upon what date was such visit made?

Mr. MACKENZIE (Vancouver Centre):

1. Yes.

2. By the pension medical examiner on the instructions of the Canadian pension commission which desired that a routine report with respect to the status of the association be obtained. The report bears the date of May 14, 1942.

WARTIME PRICES AND TRADE BOARD-MRS. IRENE SPRY

Mr. CARDIFF:

1. What position, if any, does Mrs. Irene Spry occupy in the wartime prices and trade board, and was she appointed by the civil service commission, and on whose recommendation?

2. What is her salary, travelling expenses, and other allowances and what duties does she perform?

Mr. ILSLEY:

1. Mrs. Irene Spry occupied the position of economist with the wartime prices and trade board. She was appointed by the civil service commission. She resigned effective June 30 and is now on the staff of the Commodity Prices Stabilization Corporation Limited.

[Mr. Ralston.]

2. While with the board, Mrs. Spry's principal duty was to keep the board continuously informed on price control, supply and rationing problems in other countries. In addition, she prepared the quarterly summary of the board's activities, the monthly article for the Labour Gazette and supervised the preparation of news summaries and correspondence analysis.

Mrs. Spry's salary was \$3,000 per annum. She received no travelling expenses or other allowances while in the employ of the board.

CANADIAN FARM LOAN BOARD

Mr. BLACK (Chateauguay-Huntingdon):

1. When was the Canadian farm loan board organized?

2. How many first mortgage loans have been made by the board from date of organization to March 31, 1942, and what was the amount loaned during that time?

3. How many of these loans have been retired or paid off by borrowers?

4. How many securities have been acquired by the board for non-payment of mortgage obligations?

5. Of the securities acquired by the board, how many were acquired by, (a) quit claim deed, (b) foreclosure or sales proceedings?

6. Of the securities acquired by foreclosure, how many were acquired on account of abandonment of their farms by borrowers?

7. How many loans were outstanding on the books of the board as at March 31, 1942?

8. Out of the number of loans outstanding as at March 31, 1942, how many borrowers had their mortgage obligations paid in full in accordance with the terms of their contract?

9. How many second mortgages have been made by the board since its organization and the amount loaned?

10. How many second mortgage loans have been paid off or retired by borrowers from the board from date of organization to March 31, 1942?

Mr. ILSLEY:

1. January, 1929.

2. Loans, 23,797; amount loaned \$43,475,104.

3. 1,954.

4. 510.

5. (a) 251; (b) 259.

6. 50.

7. 21,333.

8. 17,077.

9. Loans, 7,916; amount loaned, \$4,355,827.

10. 2,969.

WARTIME PRICES AND TRADE BOARD-D. M. LEBORDAIS

Mr. DIEFENBAKER:

1. Is D. M. LeBordais employed by the

wartime prices and trade board? 2. If so, what position does he hold and what are his salary and expenses? 3. What previous positions did he hold be-tween 1925 and the date of his appointment?

Questions

Mr. ILSLEY:

1. Yes.

2. Mr. LeBordais is a director in the retail trade administration with particular reference to matters affecting independent retailers for which he is specially qualified by reason of his two years' service with the retail merchants association of Canada immediately prior to the price ceiling. His salary is \$3,500 per annum. The total amount of expenses paid to Mr. LeBordais is \$68.85.

3. 1926-1927, employed by the Toronto Daily Star; 1927-33, with the Canadian National committee for mental hygiene; 1933-38, a free lance journalist; 1938-39, staff writer for the Canadian Magazine, Toronto; 1939-41, organizer and public relations officer for the retail merchants association of Canada.

AIRCRAFT INDUSTRY--MORALE BUILDING CAM-PAIGN-MIGHT'S DIRECTORIES LIMITED

Mr. DIEFENBAKER:

1. On what date was the contract let to Might's Directories Ltd., Toronto, Ontario, for the sending of letters to aircraft workers in the morale building campaign?

2. What is the total amount to date that has been paid to the said company? 3. Was the contract let by tender?

4. If not, why were other companies engaged in similar work not given an opportunity to tender?

Mr. HOWE:

1. December 6, 1941.

2. \$7,682.74.

3. No.

4. Might's Directories Limited submitted an original proposal. It was not a case of buying a certain quantity of paper and printing: it was a proposal to buy an original plan of twelve suggested letters plus paper, printing, envelopes and the service of the establishment in the maintenance of lists and the distribution of letters. That the price was fair and reasonable is indicated by the fact that the total amount paid to date covers 180,000 pieces of mail, or less than one-half cent per letter including distribution and delivery.

RADIO BROADCASTING-CAPTAIN LACOSTE

Mr. BRUCE:

1. Why was Captain Louis A. Lacoste pre-vented from securing the wider audience for his broadcasts over the C.B.C.?

2. Will the government state its reasons for preventing Captain Lacoste giving these broad-casts over the C.B.C. to his French-Canadian compatriots?

Mr. THORSON:

1. I am informed by the C.B.C. that Captain Lacoste's application to broadcast over the C.B.C. was considered in the same way as other similar applications and was declined. The qualifications of radio commentators are continuously reviewed and decisions taken in the light of assessment of suitability.

2. See answer to No. 1. Since the matter was solely for the C.B.C., there was no reference of the matter to the government and no action taken by the government.

*VICTORY BONDS-WAR SAVINGS CERTIFICATES-DOMESTIC LOANS

Mr. FONTAINE:

What is the total amount loaned to the government by Canadians since the beginning of the present war by, (a) victory bonds, (b) war savings certificates, (c) loans without interest, (d) any other method of contribution?

Mr. ILSLEY: I am passing in an answer to this question which merely refers the hon. gentleman asking the question to page 3633 of the appendix to the budget speech. I hope that that will be satisfactory. If not, perhaps he can speak to me.

The answer is as follows:

Details of loan flotations since the outbreak of war to March 31, 1942, will be found on page 36 of the appendix to the budget speech of the Minister of Finance.

BRITISH WEST INDIES SHIPPING SERVICE

Mr. HATFIELD:

1. Is the government giving consideration to supplying steamship space for the export of Canadian farm products to the British West Indies?

2. If so, when will the service be available?

Mr. MacKINNON (Edmonton West):

The government, through the Canadian shipping board, is giving constant consideration to the problem of supplying steamship space for the carriage of Canadian products including farm products, to the British West Indies. The amount of space allocated to the service is limited by the demand for vessel space for equally or more urgent purposes.

2. A limited steamship service is now in operation and every effort is being made by the Canadian shipping board to supplement this service having regard to other urgent demands for vessel tonnage.

*DISTILLERIES-SYNTHETIC RUBBER AND HIGH * TEST GASOLINE

Mr. HATFIELD:

Will the government consider taking over 50 per cent of the capacity of the distilleries in Canada for the distilling of alcohol from wheat for the purpose of making synthetic rubber and high test ethyl gasoline?

Questions

Mr. HOWE: The government is arranging to take over a certain amount of the distillery capacity for making a component of synthetic rubber. I think this is about all that can be said at the moment.

*1942 WHEAT CROP

Mr. CASTLEDEN:

What arrangements are being made for the 1942 wheat crop with regard to, (a) quotas, (b) delivery regulations, and, (c) storage payments to the farmer?

Mr. MacKINNON (Edmonton West): Preliminary regulations in connection with the handling of the 1942 wheat crop were provided by order in council, P.C. 1802, dated March 9, 1942. It is impossible to reach any definite decision in regard to quotas and delivery regulations until we have some more definite idea of the size of the crop to be handled. Discussions are now being carried on in Ottawa with the chief commissioner and members of the wheat board, and as soon as decisions are brought to finality I shall be very glad to make an announcement to the house. If by storage payments to the farmer the hon. member refers to farm storage, there has been as yet no decision on this point.

*CANADIAN FORCES-OPTOMETRY

Mr. COTE:

1. Does the government intend to give any recognition to the profession of optometry in the three departments of our national defence?

2. What opportunity is there, at the present time, for a graduate of a school of optometry from any of our Canadian universities, to serve in his capacity as such in, (a) the army, (b) the air force, (c) the navy?

Mr. RALSTON: Answering the first question, I would say that the policy in connection with this matter will be announced in due course. The second question should stand as an order for return.

*STORAGE FACILITIES FOR WHEAT AND COARSE GRAINS

Mr. PERLEY:

1. What arrangements, if any, are being made to give financial assistance to farmers to provide storage facilities on their farms for wheat and coarse grains of the 1942 crop?

2. What storage rates will be paid for holding grain on farms

Mr. MacKINNON (Edmonton West): No arrangements have been made in connection with the matters covered by the first question. I have just given an answer covering the information asked for in the second question.

[Mr. Hatfield.]

*WHEAT BOARD-FIRST 1942 QUOTA

Mr. PERLEY:

When will the wheat board announce the amount of the first quota to be delivered from the 1942 crop?

Mr. MacKINNON (Edmonton West): The information asked for by the hon. gentleman has just been given by me in answer to a question put by the hon. member for Yorkton (Mr. Castleden).

QUESTIONS PASSED AS ORDERS FOR RETURNS

PENSIONS-NORTHWEST FIELD FORCE OF 1885

Mr. CHURCH:

1. Have any applications for pension been received from the members, still living, of the 1885 Northwest field force? If so, from whom, and when?

2. What action did the committee on pensions take on this matter during the sessions of 1941 and 1942, when it was last before them?

3. How many veterans of this force (by prov-inces), are still living?

4. Are any of them said to be in need of some federal financial aid or assistance?

5. Will any action be taken this session to grant them the same treatment as veterans of the South African war receive?

6. What study has been made of the question?

HONG KONG COMMISSION

Mr. BRUCE:

1. How many days or portions of days were occupied in the sittings of the Duff commission on the Hong Kong inquiry?

2. What was the total cost of this inquiry (give details)?

3. Did Mr. George A. Campbell, R. L. Kellock and H. F. Fowler submit an itemized account for their services and expenses in connection with this inquiry?

4. If so, give full particulars of each account as submitted by each of said counsel? 5. What per diem counsel fee and allowance

did each counsel receive?

6. What official in the Department of Justice approved and certined said accounts as proper and reasonable?

7. Have any of these three counsel been engaged on other government investigations or work during the past four years? If so, (a) specify what work, (b) at what period, (c) what fees were charged?

IMPORTS OF BANANAS

Mr. HATFIELD:

1. How many cargoes or part cargoes of bananas were imported into Canada from January 1, 1942, to date?

2. What is the amount of bananas that have been imported into Canada through the United States from January 1, 1942, to date?

Questions as Orders for Returns

DEFENCE OF CANADA REGULATIONS-INTERNMENTS

Mr. BENCE:

1. How many persons are incarcerated as a result of orders issued under the provision of section 21 of the defence of Canada regulations?

2. Of this number how many are British subjects?

3. What number of the said British subjects are such subjects by birth and what number are such subjects by naturalization?

4. Have the naturalization certificates of any of such persons referred to in questions 2 and 3 been revoked?

5. Have the naturalization certificates of any persons convicted under the defence of Canada regulations been revoked, and if so, how many?

CANADIAN FORCES-OPTOMETRY

Mr. COTE:

What opportunity is there, at the present time, for a graduate of a school of optometry from any of our Canadian universities, to serve in his capacity as such in, (a) the army, (b) the air force, (c) the navy?

MILITARY SERVICE-FAILURE TO REPORT

Mr. ROSS (Souris):

1. How many of the men in each military district of Canada who were called up under the National Resources Mobilization Act failed to report?

2. How many prosecutions of the men who failed to report have been instituted in each military district?

3. What is the percentage in each military district of those who failed to report?

PLEBISCITE-COSTS

Mr. BLACK (Cumberland):

1. What have been the payments to date on the cost of taking the plebiscite vote, (a) printing, (b) advertising (stating agents and amount paid them), (c) broadcasting, (d) Ottawa head office expenses, (e) expenses in constituencies, (f) total payments to date?

2. Have all accounts and expenses been paid?

JAPANESE NATIONALS

EVACUATION FROM BRITISH COLUMBIA COASTAL AREA

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I should like to ask the Minister of Labour—and perhaps I should have given him notice—whether the work of removing the Japanese from the defence area in British Columbia is continuing, or has been brought to a standstill. How many have been removed, and how many are still there? I was told that the city of Vancouver is full of Japanese, that they have had their motor cars taken away from them, but that they have practically monopolized the taxi service in the city. Apparently they have all kinds of money, and are burning it up on gasoline and all that sort of thing. There is a good deal of dissatisfaction out there, as reported to me, over the failure to get these people removed. I am told that in the United States they moved, within six weeks, 100,000 Japanese from the defence area in the state of California alone. The army did it, and they did a grand job. Those Japanese are out in the desert now.

Mr. SPEAKER: This is another of those questions of which notice should be given.

Mr. HANSON (York-Sunbury): Yes, Mr. Speaker, it need not be answered to-day.

INQUIRY OF THE MINISTRY

"O CANADA"-NATIONAL HOUSING ACT

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): Mr. Speaker, the end of the session is, I hope, near, and I should like to call attention to two statements which have been promised by the government, in the hope that we shall have them before the session closes.

The Prime Minister, replying to a question by the hon, member for Quebec-Montmorency (Mr. LaCroix) on July 8 in connection with the national hymn "O Canada", said: "A statement will shortly be made." Then, the Minister of Finance promised to make a statement in connection with the continuation of the National Housing Act. He said as quoted in sessional paper No. 171B:

This matter is receiving the consideration of the government, and the Minister of Finance has advised the members of the House of Commons that he will make a statement on the government's policy regarding housing at some future date.

I should like to remind the government of these two promised statements.

Hon. J. L. ILSLEY (Minister of Finance): That is correct.

SUGAR

REPLACEMENT OF LOST RATION CARDS

On the orders of the day:

Mr. ANGUS MacINNIS (Vancouver East): Reports have been made to me from Vancouver that the controller of sugar rationing has given instructions that ration cards lost are not to be replaced. I cannot understand an order of the kind being made, and I suggest that the minister should look into it at once.

Hon. C. D. HOWE (Minister of Munitions and Supply): I am not aware of such an order, but I shall be glad to look into it.

AUDITOR GENERAL'S REPORT

REQUEST FOR FULL REPORT ON FINANCES

On the orders of the day:

Mr. J. K. BLAIR (Wellington North): I would ask the government if they will comply with the request of my committee that the auditor general make a full report on finances so as to avoid many of these questions that are being asked on various problems. I have reference to a report such as they used to have in former years.

Hon. J. L. ILSLEY (Minister of Finance): This is a matter on which a statement is to be made before the close of the session.

WARTIME PRICES AND TRADE BOARD

EMPLOYMENT OF MALE PERSONS BETWEEN THE AGES OF EIGHTEEN AND FORTY-FIVE

On the orders of the day:

Mr. J. A. ROSS (Souris): I would ask the Minister of Finance if he can let me have an answer to question No. 5, which has been standing in my name on the order paper since June 9. I should like to get the information this week.

Hon. J. L. ILSLEY (Minister of Finance): Yes, I think I can get the information by then.

LABOUR CONDITIONS

EMPLOYMENT IN INDUSTRY OF WOMEN OVER THIRTY-FIVE YEARS OF AGE

On the orders of the day:

Mr. J. H. BLACKMORE (Lethbridge): On July 17 I started to read a letter on which I proposed to base a question to the Minister of Labour regarding the employment of women in munitions work in Vancouver. Your Honour saw fit to cause me to stop reading the letter and indicated that the minister would have an opportunity to answer the question later. I wonder if I might have that question answered.

Hon. HUMPHREY MITCHELL (Minister of Labour): I thought the hon. member intended to put the question on the order paper. There is no government regulation under the war emergency training programme which prevents the training or employment of women over the age of thirty-five, but it does sometimes happen in particular industries that the employer himself, as a matter of internal policy, restricts employment to women not over the age of thirty-five. Every effort is being made by the government, through the war emergency training programme, to move as many women as possible into industry. I should like to correct the [Mr. Howe.]

impression that has got abroad in western Canada that there is any government regulation that has for its purpose the preventing of the training or employment of women in industry over the age of thirty-five.

[Later-in committee of the whole:]

WAR MATERIALS

AUTHORIZATION OF MOTOR TRANSPORT FROM UNITED STATES IN BOND THROUGH CANADIAN TERRITORY

Hon. C. W. G. GIBSON (Minister of National Revenue): With the consent of the committee, I should like to make a statement which I would normally make when the Speaker was in the chair.

The CHAIRMAN: I assume that the minister has the consent of the committee.

Mr. GIBSON: As this is for the information of hon. members, with your consent I should like to make this statement before releasing it to the press. An order in council has been passed under the War Measures Act authorizing for the duration of the war the transportation of United States war materials between United States points, through Canada, by motor truck in bond. This action has been taken as a result of urgent requests from the United States government, which represented that where a shorter route was available through Canada the movement of war materials would be expedited and considerable savings made in the use of gasoline and rubber. The necessity for such movement of war materials was inquired into by the board of transport commissioners, who, after a thorough investigation, recommended that for the duration of the war the permission requested be granted.

A consultation was held between representatives of the dominion government, the United States government and the province of Ontario, at which arrangements were entered into by which the movement of war materials in bond through Canada by motor truck could be supervised and controlled. The present measure, being under the War Measures Act, automatically expires at the end of the war, and is limited to war materials only. Regulations are being prepared to control the movement of such goods. These regulations will not apply to United States army vehicles, which are already permitted to enter or pass through this country free of customs restrictions.

Hon. R. B. HANSON (Leader of the Opposition): It this not a complete reversal of

the whole governmental position? Does the minister think that once a privilege like this is given it will ever be terminated?

Mr. WARD: Why should it be?

Mr. HANSON (York-Sunbury): Ask the members of the railway unions what they think about it.

Mr. GIBSON: This was discussed fully with the union bodies, and I think the feeling is general that as a war measure and so long as it is restricted to war materials, and that no stops to make deliveries are permitted when passing through Canada, it will meet with approval.

Mr. HANSON (York-Sunbury): I am not questioning the policy; I am pointing out the condition.

Mr. M. J. COLDWELL (Rosetown-Biggar): Do I understand that the railways are already handling so much freight that they cannot handle this traffic?

Mr. GIBSON: That is not the situation. The railways are not working to full capacity. The board of transport commissioners made an investigation and it was found that certain war materials were already being handled by truck, but these trucks were going along the south shore of lake Erie. It was to divert this traffic along the north shore and save about 100 miles in driving that the permission was sought.

Mr. HANSON (York-Sunbury): Were there any public hearings?

Mr. COLDWELL: When this matter was discussed in the house before I think it was made clear by the minister that to some extent the decision would depend upon the ability of the railways to handle this type of traffic. As I see it, the thing we have to guard against is that this shall not be regarded as vesting an interest in our roads, and that only war materials shall pass through this country in this way. I think we are all aware of the fact that for a number of years a certain group of truckers have been trying to get permission to cross Ontario in order to shorten their route. After the war our railroads will not be overburdened with traffic, and I think we should protect our own traffic facilities and not permit any United States trucking interests to become established in this country.

VETERANS' LAND ACT

PROVISION FOR SETTLEMENT ON THE LAND OF VETERANS OF THE PRESENT WAR

The house in committee on Bill No. 65, to assist war veterans to settle upon the landVeterans' Land Act

Mr. Mackenzie (Vancouver Centre)-Mr. Fournier (Hull) in the chair.

On section 1-Short title.

Mr. HANSON (York-Sunbury): I suggest that the minister give a brief review of the changes which have been made in this bill since it went to the special committee. It will be recalled that there was some debate on the bill as originally presented. The bill has now been amended and reported from the special committee, and has been reprinted, and I believe there have been some substantial changes. The name has been changed, but I do not attach much importance to that. The suggestion is that the name has been changed to keep this scheme distinct from the Soldier Settlement Act, both in name and in main principle. It would appear also that eligibility for assistance under the act has been somewhat extended.

On the question of administration, I notice that it is the intention to keep the director-I believe that was in the original act-and the matter is put under the Minister of Mines and Resources, although I saw a suggestion somewhere that, as this was for the benefit of veterans, it should be under the same jurisdiction as other veterans' measures. The minister might explain, though not, I suggest, at great length, what the changes are. I would ask him to give his attention to section 16, on the question of an advisory board; just what does he intend to do under that? There is to be an advisory board of three members. The chairman shall be a county or district court judge of the province in which the board operates. One member is to be named by the Canadian Legion, and another by the chairman; that is to say, the government will name two and the legion will name one. In connection with these advisory boards, has consideration been given to the naming of practical men versed in the problems of the agriculturist? While 2 county court or district court judge might be a first-class presiding officer, I question whether he would have any practical knowledge which would be of great benefit to an advisory board. Why should a man of judicial education be a member of such a board? I do not know that he could add greatly to the sum total of the knowledge which an advisory board ought to possess in connection with a matter of this kind. Perhaps the minister will tell us just what are to be the functions of this advisory board.

Anything else in relation to the matter I should like to reserve until a little later. I want to say at once that I understand the report of the committee was practically unanimous, and there is no intention on my part to hold up the bill.

Mr. MACKENZIE (Vancouver Centre): I shall be very glad indeed to accede to the request of the leader of the opposition. All these changes are shown underlined in the reprinted bill submitted by the select committee. They do not in any way alter the main provisions of the measure which has already been given first and second readings by this house.

I need not detain the committee with a description of the proposed measure, because this is already to be found on the record, on April 20, 1942—when the house approved the resolution permitting the introduction of the bill.

May I say at the outset that the select committee which considered this measure, and which has carried on its deliberations under the chairmanship of the hon. member for Queens, has given the most thorough study to all the clauses of the bill, as well as to the probable effect of its various provisions and the general implications of the measure. The committee approached this problem from an entirely non-partisan point of view, and the thanks of the house are due to the members of the committee and its chairman for their excellent work.

The main changes which have taken place in connection with the measure relate to:

1. The inclusion of Canadian seamen in receipt of a disability pension;

2. Provision to include commercial fishing equipment in lieu of live stock and farm equipment;

3. The setting up of advisory boards;

4. Provision to enable the director to set up advisory committees to advise as to qualifications of veterans and selection of lands; and also

5. A provincial advisory board to advise the director when cases of rescission are pending.

Turning to the bill itself, the following comment may be made as to the preamble. There was some discussion as to the necessity for such an elaborate preamble. The committee felt that the preamble ought to make it clear that the proposed enactments of the measure did not restrict the terms of the measure to full-time agriculture, and that a veteran might secure a holding and be assisted in settlement even though he had other employment. Furthermore, since it has been decided to include our heroic merchant seamen under the terms of the bill in certain circumstances, it seemed desirable that the bill [Mr R. B. Hanson.] should clearly indicate the committee's intentions.

The definition of "veteran" has been broadened to include, under section 2 (d) (iii):

"a British subject who was ordinarily domiciled or resident in Canada at the beginning of the said war and who is in receipt of a pension in respect of a disability incurred while serving upon a ship during the said war.

Until the war is ended, it would obviously not be in the public interest to encourage our merchant seamen to leave their present employment in order to take up land. Nor, at this stage, are we able to define with reasonable justice what kind and what extent of service in the merchant marine should be considered to qualify a man as a "veteran" for the purposes of this act. Accordingly, for the time being only, the definition of "veteran" was limited, in the case of merchant seamen, to one who had incurred a disability, and it was thought wise to indicate in the preamble very clearly the reasons for the use of the language that has been employed in the bill itself.

The preamble is also useful in calling attention to the fact that the bill is intended in the main to cover the case of the veteran who has limited financial assets rather than the veteran who possesses considerable capital.

As already indicated in the preamble, the committee recommends in section 2—the interpretation section—that British subjects ordinarily domiciled or resident in Canada at the beginning of the war and who are in receipt of a pension as the result of a disability incurred while serving upon a ship during the war, should be eligible under the act.

The other amendment in the interpretation section relates to qualification, where it is made clear that the qualification by the director is in respect of the capability of the applicant as a prospective settler.

Turning to section 9, the committee have added a subsection 2, which reads as follows:

The director may, in a case of a veteran deemed by him to be qualified to engage in commercial fishing, contract, subject to the provisions of this act and regulations thereunder, for the sale to such veteran of land and improvements thereon, building materials and commercial fishing equipment up to a total cost to the director of \$4,800 subject to the same conditions set forth in subsection one of this section with the words "commercial fishing equipment" substituted for the words "live stock and farm equipment" wherever they occur therein.

There is also a slight change made in section 7, enabling the director to purchase commercial fishing equipment in order to conform with the general proposal of the committee.

Representations were made to the committee that many young men had enlisted in the services-many of them in the navy-who would wish to return to their previous occupation as fishermen. It was felt, therefore, that a veteran who was a qualified fisherman, and who acquired land and a home near coastal or inland waters, and would derive his livelihood from fishing, should receive consideration in respect of commercial fishing equipment, and that such equipment would be of more assistance to his rehabilitation than the purchase of live stock and farm equipment. It is believed that this amendment will commend itself to the good sense of this committee as being in line with the general policy of rural settlement and rural home ownership envisaged by the act.

Turning to section 16, the amendment suggested by the special committee would provide for the setting up of a provincial advisory board in each province, appointed by the governor in council, comprised of three members, the chairman of which shall be a county or district court judge of the province in which such board operates; one member to be nominated by the Canadian Legion, and one other member who, together with the chairman, shall be named by the director, to whom would be referred the question of rescission of contract in the case of a veteran who may have defaulted in the performance of the terms of his agreement. The reason why a county court judge was suggested was the desire to follow the procedure largely followed in the board of review under the Farmers' Creditors Arrangement Act and to give the veterans personal representation on the committee. It was felt that the final word in regard to rescission might very well rest largely with an outside independent and neutral body.

Mr. HANSON (York-Sunbury): This is to review the case of any man in default, to determine whether he should go on or not.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): What power will the board have? They will have no power to reduce indebtedness?

Mr. MACKENZIE (Vancouver Centre): No.

Mr. HANSON (York-Sunbury): They will be in the capacity of making a report to the governor in council.

Mr. MACKENZIE (Vancouver Centre): Yes; to the director. Representations were made to the committee by various ex-servicemen's organizations and others suggesting that some such board should pass upon the question of rescission before finally closing out the contract which a veteran may have with the director under the proposed act.

Turning to section 34, it will be observed that the special committee suggest an amendment which would authorize the governor in council to appoint regional or provincial advisory committees to advise the director in respect to the qualifications of veterans, the selection of lands, and such other matters as may be referred to the committee by the director. It is appreciated, by all concerned with the selection of settlers, that the qualifying committee is a most important body. No matter how eager an applicant may be. it would be unfortunate to qualify unsuitable candidates, and it has been emphasized strongly in debate in this house, especially by the leader of the opposition, that the qualifying committee should assure itself of the suitability for settlement, not only of the veteran but of his family.

A great deal of experience can now be mobilized to apply proper criteria to the selection of settlers, and so far as it is humanly possible to do so, to eliminate unsuitable candidates. Those who have studied this bill will recognize that it does not aim to encourage speculative or the promotional type of land settlement and, in the main, its provisions are designed to meet the needs of the young men who have left our farms to serve Canada. It is intended that they should have a reasonable start, based upon their qualifications and their determination to live on the land.

On the other hand, throughout Canada, in cooperation with the provincial departments of agriculture and the universities, agronomists have made great progress in soil surveys, and there are now available maps and data which should be used to the full in the selection of farm properties upon which veterans will settle. Advisory committees in which will be included soil and other experts, are contemplated by this proposed amendment to the bill.

With these proposed amendments the bill has, therefore, been reported to the house, and the special committee have also called the attention of the house to certain recommendations which they ask the government to take into consideration, apart altogether from the specific provisions of this bill. These recommendations have already been reported to the house, and I need not, at this stage, offer any comment upon them.

There is one point, however, in respect of the coming into operation of this act, which will, I know, be appreciated by the house. It will take considerable time to set up the machinery and committees, and to begin the selection of farm properties which might be suitable for settlement. In war conditions there are difficulties of transport because of rubber and gasoline shortages, but also it must be recognized that the securing of staff, while the war is on, is none too easy.

The soldier settlement board now undertakes, in rural communities, a great deal of investigational work for the government, much of which is occasioned by the war. I trust therefore it will be understood that time must elapse in which an organization will be built up to carry the administration of the act. Indeed, the very purpose of bringing the bill before the house at this time is to establish the lines upon which the administration will operate and to enable a start to be made in organization, so that this service to discharged and later demobilized men may be built competently.

Inquiry will be made at once as to the status under this bill of those already discharged from the forces. It will be observed that the bill describes as "a veteran" a former member of the forces who has been overseas or who, not having been overseas, has had more than a year's service in Canada. While there are at present upwards of 50,000 discharged men-I believe there are 52,000-the number of those who would thus be eligible and who would be able to qualify is not great. On the other hand, it is recognized that each month there are upwards of 2,000 discharges, and inevitably the number of those who have been overseas, or who have had more than a year's service, will grow. But in any case it cannot be expected that much settlement would take place under the act until 1943.

In conclusion may I say that the bill in its amended form, as recommended by the special committee, should commend itself to the house as one important foundation stone in the structure of rehabilitation measures now being built to care for the veteran of the present war. I have never in my experience seen a committee that worked so well and gave so much consideration to a constructive issue.

Mr. STIRLING: I did not hear what the minister said about the coming into operation of the act.

Mr. MACKENZIE (Vancouver Centre): Probably by proclamation.

Mr. ROSS (Souris): I agree with the minister in congratulating the chairman upon the excellent job which he did as head of the committee. I think that all the members of the committee gave their very best to its

[Mr. Ian A. Mackenzie.]

work, and it was certainly an investigation which, while very pointed at times, was nevertheless conducted on a non-partisan basis. It was a small committee, consisting originally of fifteen members. One of them was a gentleman in the army, and another could not attend, but on the average, of the remaining thirteen members, there was an attendance of eleven at all our discussions, and we held many meetings. We had a good many fine presentations by various organizations and individuals throughout Canada.

As has been stated, it was the purpose of the dominion government to provide a measure of financial assistance to veterans, upon their performance of the prescribed settlement conditions, in order to permit of their engaging in agricultural pursuits, either as a full-time occupation or as a part-time job coupled with some other employment.

May I say at the beginning that if it were not for the fact that I have some faith in the future, and a hope that agricultural parity will eventually be established in Canada, I would not have been able to support the bill even in principle. In the great nation to the south of us, the United States, there has been parity between agricultural and other products for a year now, and under the Washington wheat agreement of June 27, 1942, signed by the Argentine, Australia, Canada, the United Kingdom and the United States, the representatives of these nations have recognized the basis of a parity price for wheat which will return a fair remuneration to the producers as well as being fair to the consumer. On the basis of these agreements, and having regard to what has been done in the United States, I think we may hope that we are doing these settlers justice by establishing them on the land, because we hope that they will be able to carry on under parity prices, in the future at any rate. As I say, if it were not for that hope I for one could not have supported the bill.

This bill is distinctive. It is different from the soldier settlement act, both in name and in principle. It provides for the granting of a loan, and refers to ex-service men as veterans rather than settlers. In connection with section 5 of the act, I have felt some concern because in the early years, under the old act establishing the soldier settlement board, the municipal authorities had very many difficulties owing to tax arrears. I remember our western municipal union executive having to make trips to Ottawa on several occasions to have these difficulties ironed out. I am happy to say this was taken care of under section 5, which reads: 5. The main purpose is to establish the legal entity and corporate powers of the director.

Subsection (6) of this section is a recitation of the relative subsection which appears in the Soldier Settlement Act, giving taxing authorities the right of recourse to the land itself for taxes duly assessed. In order to avoid conflict with the British North America Act with respect to the taxing of crown property, the director remains a corporation sole but not an agent of the crown. Any attempt to deprive the taxing authorities of the right of recourse to the land for recovery of taxes would undoubtedly meet strong opposition. In practice it is just as well for people established under such an act to realize from the start that they must pay taxes.

I was pleased to see that that point has been so covered.

The matter of agricultural training is covered in section 6. It states:

6. The director may make provision for-

(a) the placing of veterans with selected farmers for practical instruction in farming;

(b) the supplying of instructors and inspectors to assist veterans with information and instruction in farming, or arrangements to this end with federal and respective provincial departments or the extension departments of Canadian universities or accredited agricultural schools or colleges.

Section 7 deals with the acquisition of lands and other property. It provides that:

7. The director may, for the execution of any of the purposes of this act,

(a) purchase by agreement, at prices which to him shall seem reasonable, or

(b) in any other manner acquire by consent or agreement from His Majesty in the right of Canada or from any province or municipal authority, or from any person, firm or corporation;

I think that is very well covered.

Section 9 has to do with the sale of land to the veteran, and I think the various clauses of that section deal with it very well.

Section 10 points out that the veteran is deemed a tenant at will, that is:

Every veteran holding or occupying land sold by the director shall until the director grants or conveys the land to him be deemed a tenant at will.

Various safeguards are taken under that section and section 11. Section 13 provides:

13. The direct r may make advances to a veteran to enable the discharge of encumbrances on farm land which is owned and used by him as such, for the purchase of live stock and farm equipment and for the effecting of permanent improvements, of amounts not exceeding in the aggregate the sum of three thousand two hundred dollars, but subject to the following conditions:

(a) advances for all purposes shall not exceed 60 per centum of the value of the land as established by the director; Section 15 deals with the interest rate, fixing it at $3\frac{1}{2}$ per cent; which is a very great improvement over the old soldier settlement act.

Section 23 provides that:

23. Loans or advances authorized by this act shall not be made to persons who obtained loans or advances under the provisions of the Soldier Settlement Act, and who are indebted to the director of soldier settlement.

At this particular time.

In section 34, one in which I am very much interested, it is stated that:

34. The governor in council may appoint regional or provincial advisory committees to advise the director in respect to the qualifications of veterans, the selection of lands and generally in respect to such other matters as may be referred to any such committee by the director; and the director with the approval of the governor in council, may make regulations prescribing the number of members and the composition of each committee, the tenure of office of such members, the remuneration and expenses to be paid or allowed such members and generally the conduct and performance of such committees and the members thereof in the execution of their duties.

A great difficulty under the old soldier settlement board was that the authorities allowed these settlers to settle on a great amount of sub-marginal land. We cannot take too many precautions to prevent a repetition of settlement even in small numbers on sub-marginal lands, because it is detrimental both to the settler and to the country as a whole. We must guard against that at any cost. I should like to recommend that to avoid such difficulties our regional or provincial advisory committee should include a provincial soil expert from the university of that province, a representative of each provincial municipal organization of the province -because I do not know of any organization which would be more interested than the municipality in which the settler is placedand a member of the provincial command of the Canadian Legion. Without their approval no settler should be settled on any land.

I think this committee made certain recommendations to the soldier settlement board. I should like to ask the minister if we may refer to them now.

Mr. MACKENZIE (Vancouver Centre): I see no harm in referring to the recommendations of the committee, but of course they are entirely separate.

Mr. ROSS (Souris): I think I would save time by making reference to the recommendations with respect to adjustments in the old soldier settlement board. They are to be found in *Votes and Proceedings* of Friday, July 17.

No. 1 provides that the director may grant the settler an extension of time, not exceeding twenty years, for the payment of his indebtedness. I think that is very proper.

No. 2 provides that the rate of interest to be charged from and after the standard date first following the coming into force of the section in respect of any agreement between the soldier settlement board or the director of soldier settlement and any such settler or person shall be $3\frac{1}{2}$ per cent. That is on the same basis as the new settlers under this act, and as I think it should be.

No. 3 deals with the setting up of an adjustment committee. I think it was the view of the committee that the objective of this committee should be, as stated in this clause, of establishing an equity for the settler, if feasible and practical, provided that the settler is in personal occupation of the land and that such agreement had not been terminated, rescinded or assigned. The committee felt that there should be certain safeguards, that the settler should carry on for a term of years, because while this is a matter of government policy some of us felt that these settlers, provided they are a going concern, should have an equity established of at least 30 per cent in their land and property. Naturally that will be a matter of government policy, but there is a sound argument why this equity should be established. Only last week we had the premiers of the three prairie provinces here negotiating with the federal government for the relief of western farmers in regard to debt legislation, and I think many of those settlers are those in difficulties under the soldier settlement board. In many of the last ten years the yearly income of prairie farmers in general in the three prairie provinces has been less than one-third the average income of 1926 to 1929, and still remains \$100,000,000 lower than in any year from 1926 to 1929. Over 70 per cent of the soldier settlers who are in difficulty are in this group of agriculturists for which the premiers of the three provinces are trying to obtain adjustment. I think it is only just that the government should see that these settlers who are still carrying on should receive an equity of 30 per cent in their property.

I was quoted in the press as having said that we should first eliminate the misfits. I made that reference in the kindliest terms. I consider I should be a misfit in many callings. In making that reference I have in mind about 10 per cent or slightly more who might be termed misfits under the soldier settlement

[Mr. J. A. Ross.]

board to carry on as able farmers. They should be taken care of as suggested in this recommendation:

4. The committee strongly recommends that in those cases where it appears to be the desire of a settler to remain in occupation of his farm home there be developed a closer degree of cooperation between the director of soldier settlement and the war veterans' allowance board to the end that the settler may continue to occupy his present home at modest cost, on a basis whereby the settler can cooperate by assigning a portion of his allowance for this purpose.

This means, in simple terms, that the state owes some consideration to those who have become physically unfit to carry on, and that they should be provided for. I have not assumed, of course, that they would be forgotten. I believe this takes care of those whom I may have improperly described as misfits. They have been provided for, with the idea that they would not be able to carry on farming operations, and should be taken care of by another department of government. I am sure that under the provisions of the bill they will be looked after.

In my view this new bill No. 65 is a good one. There have been compromises on one or two points, and we have made many changes. The result is a good piece of legislation; and with a future parity in agricultural production we shall have done something worth while for agriculturists who are now serving in the armed forces, and who upon their return to this country may come under the operation of the act. I hope that those men will not be disappointed in this undertaking.

Mr. SENN: I wish to register my approval of the main features of this bill, and the principle underlying it. This is a most important reconstruction project, and one which has some distinct advantages over the old Soldier Settlement Act. I believe the main features of the bill are somewhat similar to those in the old act, but in preparing this measure we have had the advantage of profiting from the mistakes made not only in the provisions of the old act, but in its administration. There is the further advantage that land values to-day are much lower than they were when the old act came into force and purchases were made. Live stock prices, too, are lower. On the other hand it is only fair to say that farm machinery necessary for the operation of farms in these days is more expensive than it was when the old Soldier Settlement Act began to operate.

This measure has for its purpose the settling of soldiers on the land. I believe it aims to establish an equity in lands which soldier settlers get. It is to be a reasonable equity, or one which will enable the soldier to carry on with a fair chance of success. If properly handled I believe the soldier will be able to succeed. His success, however, will depend to a great extent upon two main factors, the first of which is the settler himself and his family relationship. It should be considered whether the settler is industrious and has business ability. The success of his venture will also depend upon whether his wife will be capable of carrying on on a farm. The second factor upon which success will depend is the administration of the act. The administration will have to watch most carefully the selection of settlers. There will have to be careful supervision of the selection of land.

I believe it is section 34 which makes provision for the setting up of committees to assist the director in the selection of lands. In his brief observations the minister pointed out that maps and certain other data are available to the settlement board, and that this information will make it more unlikely for them to fall into the error of settling soldiers in areas which do not offer a reasonable chance of success. In my view there are certain drought areas in which soldiers should not be settled under any circumstances. Although it is possible that some of these areas may come into production again, settlement there would be too great a risk.

Another consideration which is important is the control which should be exercised over increased indebtedness. As the bill is now drafted the soldier should have at least a 50 per cent equity in his land, plus stock and implements. I voiced the fear when the bill was first discussed in the house, and also in committee, that the sum of \$1,200 is, to say the least, little enough to provide stock and equipment on a farm, if that farm is to be adequately managed and cultivated. If a soldier lacks funds of his own it will be necessary for a soldier to go deeper into debt before he can adequately furnish his farm with stock and implements. The director should have some supervision over the amount of indebtedness which can be incurred by a soldier settler who has to purchase stock and equipment in addition to that furnished by the department.

I admit of course that a soldier settler cannot expect to begin operations on the same basis as a man who has farmed all his life, and who, by his hard work and industry, has gathered round him a good farm equipped with stock and implements. There will have to be careful supervision and careful judgment by the soldier himself if he is to be successful, despite the favourable start he is given under the measure.

I agree with the main features of the bill. I hope it will pass without too much discussion or criticism, and I wish the director every success in his supervision.

Mr. MacNICOL: In what I have to say I shall be brief. First may I congratulate the minister, and in doing so I believe I am not using too strong a word when I say that he has sincerely tried to do something for the soldiers who will return. What is now being done is perhaps better than what has been done before. I wish him every success, and I have no criticism to offer.

On several occasions I sat in the rear of the committee room and listened to the deliberations, and I concur in what has been said about the committee. I like, however, to make my own investigations, and for some time I have prepared material which would enable me to add a word or two constructively when the bill was under consideration in the house.

I have visited many areas and have inquired particularly why farmers in those areas had to abandon their farms. It struck me that that was a most important inquiry to make in respect of earlier land settlement schemes. Just why did so many farmers leave their lands? In the course of my investigation I made a survey of the land settlement scheme which followed the revolutionary war. As most hon. members are aware, that scheme was put into operation in the counties along the north shore of lake Ontario. I found that the principal reason for the abandonment of farms was that many of the lands were wholly unfit for farming. I have no doubt that under this measure the director will make an effort to see that the settlers are put on lands on which they will have at least a fair chance of succeeding. I should hope that under no consideration should a settler be placed on land which from the very outset would give him no chance of making good.

The next great land settlement scheme was that which followed the Napoleonic wars, and affected part of Carleton county, chiefly the western section, the county of Lanark, and perhaps the northern section of Frontenac. Anyone who has read the very excellent book written by the late Senator Haydon will know that under the land settlement scheme which followed the Napoleonic wars the soldier settlers were given outright considerable quantities of land, depending on the ranks they held in the army. My own people were awarded several hundred acres of land. There again too much of the land proved unfit for farming. If anyone will go to the neighbourhood of Watson's Corners in Lanark county he will see a hundred acres of rock. There

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REVISED EDITION

is much good land there too; I do not mean it is all like that. In the early days this land was covered with the finest of pine. When the returned soldier saw all this pine he was satisfied to accept the land. He went in and settled, but in due course he had to leave. We should make certain that the returned soldier is placed on land of such quality that he will have a chance to make good.

Mr. McILRAITH: Does not the hon. member think that the county to which he has just referred is a pretty good county?

Mr. MacNICOL: I did say that much of the land was good. If my hon. friend has visited Watson's Corners—

Mr. McILRAITH: I know the district quite well.

Mr. MacNICOL: -he will see that the 160 acres on the left side of the road is almost solid rock. Of the 200 acres that were awarded to one of my people, 160 acres proved to be solid rock with only 40 acres of arable land. A returned soldier should not be placed on land like that. The farms to which I have immediate reference have been abandoned, but I did say that there is much good land in Lanark county; on the whole it is magnificent. No one in this house knows that county better than I do, because my people settled there in 1820, and I have covered the whole territory. I feel confident that the minister will see that every returned soldier is given a chance and is not placed on land similar to that awarded to some of the soldiers following the Napoleonic wars. Many of the famous families of that day settled therethe colonels, the majors and so on; but much of the land has since been abandoned.

The next scheme was that which followed the South African war. In that case the governments of the provinces gave the soldiers the land outright. In Ontario the returned soldiers were given 100 or 200 acres in the county of Muskoka. Here again some of the land was good, but much of it was simply rock and water. A man cannot farm on rock and water. Without any desire to criticize the bill, I suggest that the director see to it that the soldiers are placed on land that will give them a chance to make good.

The next scheme was put into force in northern Ontario following the depression. I called on a number of people who had been sent up there, but when I returned a year or two afterwards I found many of them gone and the farms abandoned. In that case the people were settled too far from markets. A man was given 200 acres of land, and after spending a year or two attempting to break it he would find that he had only five or ten

[Mr. MacNicol.]

acres in a state of cultivation. He became disheartened and left the land. If a hundred or more families of returned soldiers are placed in a new area my suggestion is that the land should first be cleared with bulldozers and tractors in order that they may have a chance to produce something the first year or two.

I was greatly impressed by what was done in connection with the settlement of Sudetens in British Columbia. These people were brought here in 1939 and were placed on 23,000 acres of land under the charge of the Canadian Pacific Railway. In my humble opinion the Canadian Pacific deserve unstinted praise for what they have done to assist these Sudeten farmers.

Mr. CRUICKSHANK: Is the legion of British Columbia in accord with that?

Mr. MacNICOL: I am not considering the matter from that point of view. I am thinking only of the soldier. I want him to have a chance right from the beginning. Many of my own people are soldiers, and perhaps some of them will want to go on the land. The Sudetens were given the land outright, or they owned it within a short time after they went on the land. It was first broken up for them by bulldozers and then cultivated by the use of cooperative ploughs. They were shipping 70 hogs every two weeks, 75 cans of milk every week, and many cattle and so on. I have confidence in the minister and feel sure that he will see that the returned soldier is placed on land which will give him a chance from the very beginning. Many times in the past they have not had a chance, because of the land being poor, because of lack of transportation facilities and roads, or because of the lack of markets.

The most glaring example of lack of roads and markets is in the section north of the Peace River. This is fine land, and some day there will probably be a large settlement there. I ask the minister to make sure that before men are placed on land, roadways are constructed so that they may have free access to and from their land. Then some scheme should be undertaken to see to it that the produce can be got to a market.

Mr. MACKENZIE (Vancouver Centre): That matter is covered, if not specifically, at least inferentially, by section 35.

Mr. MacNICOL: I have no doubt that what I have said in that regard would have come under the minister's observation. I am satisfied that every member wants the returned soldier to be placed on good land, with the proper roads and markets. If markets are too

Veterans' Land Act

far away, some plan should be instituted whereby the commodities produced can be taken to a market. This would not be done to injure other farmers; it would be done to render a service to the returned men. I cannot help but feel that this committee and the country will support anything the minister may decide upon to give these men an opportunity to make good.

Mr. WRIGHT: I should like to bear out the statement of the minister and of the hon. member for Souris (Mr. Ross) with regard to the able manner in which the chairman of this committee conducted the proceedings. I should like also to comment upon the earnestness of the manner in which the committee went about its work. The committee have as a matter of fact made several major changes in the bill, largely, I think, because of the men who were on the advisory committee which was appointed by the department to assist in drafting the original bill. On that advisory committee were some seven departmental officials, and five men who represented land companies and mortgage companies, and the two great railways which have large amounts of land available for settlement. But on that committee there were no representatives of agriculture, and no representatives of the men who settled under the old act. Some 25,000 men settled under the old act, and some 3,000 or more of them have paid off their indebtedness. Surely the government should have appointed some of these men to the advisory committee, because they knew the actual conditions under which the settlers have operated over a number of years under the old act.

Mr. MACKENZIE (Vancouver Centre): We had the deputy minister of agriculture on the committee.

Mr. WRIGHT: But he is not a representative of organized agriculture. I deprecate the government's attitude in that regard—the assumption that when they appoint an official of the Department of Agriculture on a committee of this kind they are appointing a representative of agriculture. If agriculture is to be truly represented on these committees, the representative must be appointed by the organized agriculturists themselves, by the Canadian Federation of Agriculture and other agricultural bodies.

The committee which considered this bill has certainly made some improvements in it as it was originally presented to the house. The bill has two objects. We are, first of all, to have a smaller settlement scheme under which men who have part-time employment shall be given small holdings on which to live and construct a suitable house, and it

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is proposed that these settlements shall be in districts where part-time employment is available. That is a good idea, but I do not think settlement should be restricted entirely to territory adjacent to industrial districts. I know farming districts in western Canada where around almost every town small holdings have grown up naturally. The provisions of this part of the bill should be extended to include other than industrial areas. This form of settlement should not be on too large a scale, of course, but there is a definite place, both in eastern and in western Canada, for settlement on a small scale around our larger towns and cities.

This part of the act will not be brought into effect, I presume, until the war is over, because we have not the material with which to construct these houses. I suggest that in the meantime the government should have able architects draw up forty or fifty plans for houses, and that when the war is over we do not place the construction of these houses in the hands of large contractors who will build them in a more or less wholesale manner.

Mr. MACKENZIE (Vancouver Centre): I do not wish to interrupt my hon. friend, but that matter has already been discussed with the dominion housing administration.

Mr. WRIGHT: I am very glad of that. I believe we should adopt a scheme somewhat similar to that in which St. Francis Xavier university of Nova Scotia is interested, and that these settlers, wherever possible, should gather together in study clubs to look over the plans for houses, and assist, under supervision, in the actual construction of their own houses. I do not think there is anything that has more of a tendency to hold a man in one place and to promote stability than for the man himself to assist in the planning and building of his own house. The government should bear this in mind when introducing this part of the scheme when the war is over.

The other part of the bill deals with those who are engaged in full-time farming. Since history began there has been a land settlement scheme after almost every great war. The hon, member for Davenport has mentioned a few of them that we have had in Canada. Go back through Roman and Greek history and you will find that after the Roman and Greek wars there were land settlement schemes in those countries. It is only natural that men who have left offices and served in the army for three or four years hate the thought of going back into an office, and when land settlement schemes such as this are available they naturally wish to settle on the land, whether they are suitable for farming or not.

At the present time agriculture in Canada is in none too prosperous a condition. Over the past ten years no other industry in Canada has been so much in the doldrums as agriculture, and it seems a wrong idea to me for us to say now that when the war is over we are going to turn thousands of our soldiers on to farms unless we make provision for the marketing of their produce. The minister in introducing this bill said that approximately 35,000 men have already made application to settle under these provisions. During the investigation by the committee the minister was questioned by the hon. member for Haldimand as follows:

Mr. Senn: It is not intended to limit this to 35,000?

Hon. Mr. Mackenzie: No, that is only a guide.

Mr. Senn: Is there any intention to limit it at all?

Hon. Mr. Mackenzie: Of course, I could not be definite at the moment, but this present bill is based upon an estimate in regard to the financial commitment of 35,000 of \$80,000,000 of which \$34,000,000 is a direct gift to the settlers. We will have to go much further before this bill is through.

Mr. Senn: Yes, I think so.

Hon. Mr. Mackenzie: We have 33,000 who have already signified their intention through the surveys we have made, and of course, when the surveys are complete we will probably have nearly 100,000 who want to signify their intention to go on the land.

If it is the intention to settle anything like that number of men in agriculture, the idea is entirely wrong. We have a committee of the house which is making a thorough study of reconstruction. They are agreed that before the war agriculture was not in a prosperous condition, and that further settlement and the further development of agriculture at this time without some definite knowledge of whether there is going to be a market for what is produced is not good. In that connection I should like to quote from the evidence given before the reconstruction committee by Doctor James:

There is, however, another problem underlying all of these in the field of agriculture, a problem which is causing concern here and abroad. Agriculture, during the last fifty years, has been greatly mechanized. I have already said that I am not a farmer, but even a layman realizes that a farmer with a tractor and appropriate equipment is able to look after many more acres of land than is his predecessor with two horses and a plough. We are able, with a steadily diminishing agricultural population in Canada, the United States, Argentina, Great Britain and most other countries, to produce a greater quantity of agricultural prod-

[Mr. Wright.]

ucts; so that we must obtain some clear idea of the number of people that are necessary to meet our agricultural demands and the number which can attain a decent standard of living, with reasonable prosperity and comfort, through farming. On that aspect of the problem, the committee on reconstruction has instituted a rather comprehensive study which comes under the high-sounding name of "contemporary demographic trends in relation to the agricul-tural development of Canada," by Professor W. D. Hurd. The purpose of that study is to find out the exact distribution of population between town town between town and country, the per capita production and the consumption of those popula-tions, and to attempt the very difficult task of estimating the optimum production of a the best size of farm and the most farmer. reasonable size for the agricultural population that Canada needs.

The government, having that committee at work, should take its findings into very serious consideration. I am afraid that if we are going to settle under this scheme a lot of settlers who have not had agricultural experience, and who have been engaged in other industries, but who are to be sent to work with farmers until they have a knowledge of farming, we shall be making a mistake. Men who come from agriculture and have had experience of it should be the ones to be placed back in agriculture, under conditions which will give them a reasonable chance of success.

The hon. member for Davenport said that we must place these men on good land, not marginal land. The director is going to have difficulty in obtaining good land, in proper economic units, for \$3,600. In western Canada to-day a section to a section and a half of land is the only economic unit. You can give a man there a quarter section with clear title, and twenty years afterwards he will be mortgaged and in debt to the extent that he will have no equity, because a quarter section is not an economic unit unless a man can obtain other land to work along with it. That is one reason why only men who are engaged in agriculture and who have their relations similarly employed and able to give them assistance other than they can get through the board, have a reasonable chance of making a success under this scheme.

I feel very strongly on this particular point, and I believe the government should be, and will be, very careful in the selection of settlers to take up land under this scheme. Your director has had the experience of the past twenty-two years under the old soldier settlement board; he knows the conditions that exist and the problems that will face the board under the new act. I sincerely hope he will take those into consideration and will limit the numbers to be settled under this scheme to those who can be successfully absorbed into agriculture, and to those who have a reasonable chance of success.

Included in the recommendations made to this house on July 7 by the committee were some which certain members would like to see included in the bill. The first was the advisability of adopting a system in which the annual payments to be made by the settler under this measure will be adjusted in accordance with the relation of the prices of the commodities that he has to sell to those that he has to buy. Personally I think that is a very important recommendation, and one which should have been incorporated in the bill. For a settler to be successful under this legislation he must obtain a parity price for his products. The reason which was given for not doing this was that the government felt that they could not apply the principle to one class of farmer unless they were prepared to adopt it for agriculture as a whole. I believe that this principle should be adopted by the government so far as agriculture is concerned in this country, and that it would have been a very good change to incorporate that recommendation in the provisions of the bill. We talk of a new order, of what we are going to do when the war is over; but when it comes to putting something definite on paper we seem to be very slow about doing it. The government would have been justified in including such a clause as this, especially since the returned men affected by this bill are going to make very great sacrifices for us who are staying at home.

Another recommendation made to the government was that settlers under this legislation be given the first option on the purchase of tractors, trucks and any military equipment suitable for farm use when disposition is being made of them after the war. I have no doubt that the government will take into consideration that recommendation, which is a very good one.

Third, that at a later date this act be so amended as to make provision for persons having had service on ships and who are not in receipt of disability pensions. I do not think any comment is needed on that; the committee were unanimous about it.

Fourth, the advisability of placing the administration of this act under a new department which would deal exclusively with all matters pertaining to ex-service men and women. It was the general feeling of the committee that the old soldier settlement act was placed under the Department of Mines and Resources for a definite purpose, namely that this department had control of much of the available land which was to be used for

Veterans' Land Act

settlement. To-day that condition is changed; the land is largely under the control of the provinces, and there does not seem to be any sufficient reason why the administration of the present measure should be under that department. In the opinion of the committee, with which I thoroughly agree, it should be administered either by the Department of Pensions and National Health or by the Department of Agriculture. There is much to be said for placing the administration under the Department of Agriculture.

Under this act the director will have a wide range of power, and he can, if there is proper supervision, make it a success. His attitude will have a large bearing on the effects of the legislation. I sincerely hope he takes into consideration the matter of establishing at some time, under the act, cooperative farming on some scale at which he deems will be successful. The settlers under this bill will have a much greater chance of success if a number of them are working together than they will as individuals, each trying to carry on his small show with inadequate capital and inadequate equipment, which would reduce his chances of making good. Twelve hundred dollars will not procure a decent line of equipment to farm either a quarter-section or a half-section of land in western Canada, but \$4,800 would buy an up-to-date line of equipment which would farm effectively a section of land. The director should give serious consideration to the establishment if possible of some form of cooperation among the settlers, especially in the earlier days of settlement, until they become more self-sufficient.

Under the act, the settler must insure his property. I know that under the old act much more was paid out in premiums than was ever drawn by the settlers from the insurance companies. I suggest that the government give serious thought to some form of group insurance of the property of settlers instead of turning it over to the line companies as was done under the last act. There is also the question of the dower right of the widow in the land. This is taken away, and the director will find after two or three years, when the settler dies and the widow is left, that the settler has no equity in his land so that the director will have to dispossess the widow of the land. It is not going to go over very well with the general public, and I would ask the director to consider seriously the matter of group insurance of married settlers to the amount that the board have an interest in the land, so that when the settler dies his widow or family will have clear title to the land. This is important, and it should receive serious attention. Personally I think the government should organize a company and themselves go into insurance to that extent. If they do not see fit to do this, I urge upon them that they make an arrangement with one of the regular companies for group insurance for settlers to the amount of their indebtedness to the board.

The CHAIRMAN: I would direct the attention of hon. members to the fact that, so far, this discussion has been most irregular. It is in direct violation of standing order 58, subsection 2. Under the short title of a bill, according to the rules, it is not permissible to renew the general discussion of principle which has taken place on the second reading. A practice has developed whereby, sometimes, to expedite the second reading of a bill, an undertaking is given that general discussion will be allowed in committee on the short title. I observe, however, that when Bill No. 65 came for second reading, a very extensive debate took place and no undertaking to widen the discussion in committee was made. I therefore find it very difficult to apply the rule, if a discussion which should have taken place and which has taken place on the second reading were allowed to be repeated in committee on clause 1. Unless there is unanimous consent, it is my duty to remind hon. members of rule 58.

Mr. MACKENZIE (Vancouver Centre): I entirely agree with your observations, Mr. Chairman; there is no question that they are quite right according to the rules. However, I suggest that by consent of the committee it might expedite the final passing of the bill if we had a short discussion on the short title—only by unanimous consent, of course.

Mr. QUELCH: A great deal of credit is due to the chairman of the committee that investigated this matter for the admirable way in which he conducted the sittings. Generally speaking, I am heartily in accord with the various sections of the bill. It is a very great improvement on the bill introduced at the end of the last war for the purpose of settling returned men on the land. Nevertheless, I do feel that the success of the bill will depend to a very large extent upon the type of agriculture that is maintained after the war. If we are to have the same type of agricultural policy that we have had from the close of the last war until now, I am satisfied that the majority of men that are settled under this measure will fail to become established. So far as the administration of the act is concerned I think it will be very necessary that every sympathetic consideration be given to the soldiers who have settled under the act. [Mr. Wright.]

Generally speaking, under the old act, in its earlier stages, the men undoubtedly did receive that consideration, but on the other hand it seems to me that in later years the soldier settlement board had been adopting a hardboiled attitude towards the men.

It was suggested in the committee that the settlers should be entitled to a parity price; at least I should say that it was felt by many members of the committee that this should be done. It was also suggested that their payments to the board should be adjusted on that basis. Section 1 of the recommendations in regard to this bill, reads:

The feasibility of adopting a system in which the annual payments to be made by a settler under this act will be adjusted in accordance with the relation of the prices of the commodities he has to sell with those he has to buy.

While quite a large number of members of the committee felt that this was a sound principle, we did not press for its inclusion in the bill because we looked upon it as a matter of national policy; that is, that it applies not merely to soldiers but to all farms at the present time. We felt, therefore, that as it was a question of national policy rather than merely a policy in regard to soldier settlers, it would not be well to include it in the bill. I remember when the bill was before the house for discussion, prior to its being sent to the committee, the Minister of Finance emphasized the fact that the reason so many soldiers had failed under the old act was to be found in the highly inflated prices they had to pay. Of course, there is a great deal of truth in that, but it was not merely the inflated prices they had to pay. The trouble was that prices were allowed to fall to a very low level. If the inflated prices had been allowed to fall only to a fair level, the results would not have been so disastrous; but prices were allowed to go down to a very much deflated level, a level so low that it was absolutely impossible for soldier settlers to recover costs out of prices.

That applies to all agriculturists as well as to the soldier settlers. There are many people who believe that it would be unwise to engage in any large land settlement scheme in view of the fact that before the war we had large surpluses of agricultural products, and no doubt after this war we shall have the same situation. On the other hand prominent dietitians have told us that if the people of this country were using a healthy diet the consumption of dairy products could easily be doubled. But no doubt we could, by further mechanization, easily maintain the level of agricultural products to satisfy that diet without any increase in the present settlement. Therefore I agree that it would be a

mistake after this war to engage in any large scheme of settling people on the land. Nevertheless, since 30,000 soldiers in the forces at the present time have signified that they desire to be placed on the land, we must do everything in our power to satisfy that desire. No doubt before the end of the war there will be more than 30,000 soldiers wishing to go on the land. When we make provision for placing these men on the land it is up to us to see that everything that can be done to make that settlement a success shall be done. I believe this bill paves the way for such a settlement. But as I said before, unless we see that a sounder agricultural policy is maintained in the future than we have had in the past, I am afraid the consequences will be similar to those which followed the last war.

The preamble of the bill states:

And whereas the great majority of prospective veteran settlers have limited financial assets and the lack of such assets has proved to be the main obstacle in the fulfilment of settlement contracts and to the acquirement of farm home ownership;

This is going to be one of the main stumbling blocks to the success of this bill. The bill requires that a settler must pay down 10 per cent of the cost of the land at the time of his settling. He may be in a position to put up 10 per cent of the value of the land, but if he does so he will probably find it very hard to provide the money necessary to furnish the house, especially if he is a married man; and we know from past experience that if a married man has to settle under conditions that are not satisfactory for a congenial life, matrimonial troubles are likely to ensue. The committee gave a good deal of time to that point. They felt that it would be possible to overcome the difficulty. I think the same provision was in the last measure, and the difficulty was largely overcome.

I should like to deal briefly with the other sections of the recommendations. Section 2 provides that:

Settlers under this act shall be given first option on the purchase of tractors, trucks, and other military equipment suitable for farm use when disposition is being made of the same after the war.

The committee will remember that after the last war certain corporations bought up most of this equipment, and it was resold at a satisfactory profit. The committee felt that tractors and trucks should be made available to settlers direct instead of being sold through any corporation, thus bringing about a considerable increase in prices.

Section 3 states that:

—at a later date this act be so amended as to make provision for persons having had service on ships, who are not in receipt of a disability pension.

The feeling of the committee was that men in the merchant marine would be as much entitled as soldiers to consideration under this act. But it was pointed out that these men will be required at sea for a number of years after the war, so that it was not considered advisable to bring them in at this time. If they are suffering disability they will be taken care of. No doubt at a later time the act will be amended to make possible the coming of these men under its provisions, when their services are not longer urgently required at sea.

Section 4 states that:

The advisability of placing the administration of this act under a new department which would deal exclusively with all matters pertaining to ex-service men and women.

I think we all realize that soldiers are more likely to get sympathetic consideration under the department of pensions than under any other branch, and it was pointed out that in all probability a new department would be formed later on to deal with returned men. If that should be done, then we felt that this act should be brought under the administration of that department. Soldiers settling on land undoubtedly will require sympathetic consideration if they are to succeed. Agriculture as a whole has carried on under tremendous difficulties during the past twenty years. Soldiers face further difficulties in addition to those of civilian farmers. If they are to succeed it is essential that every consideration be given them in connection with the obstacles they have to overcome.

As several hon. members have referred to the recommendations regarding settlers under the old act, perhaps I might be permitted to say a few words in that regard. While I have stated that generally speaking I feel well satisfied with this bill, I cannot say that I am so well satisfied with the recommendations regarding settlers under the old act. Whether or not these recommendations will be satisfactory will depend entirely upon the way they are interpreted. The recommendations may mean much, or in some regards they may mean nothing.

Section 3 of the recommendations reads as follows:

3. The minister may with the approval of the governor in council appoint a committee of not more than three members to be known as the

adjustment committee at such rate of remuneration as the governor in council may fix and allow and for a period of not more than twelve months with powers to review and confirm or reduce the indebtedness of soldier settlers whose agreements with the director of soldier settlement were the subjects of proposals formulated under the provisions of the Farmers' Creditors Arrangement Act prior to October 1, 1939, or in the case of such other soldier settler as may be recommended by the director, with the objective if feasible and practical, of establishing an equity for the settler; provided that the settler is in personal occupation of the land and that such agreements have not been terminated, rescinded or assigned.

Exactly what is meant by an equity? If the debt of the soldier settler is reduced one dollar below the value of the land, that is an equity, but no one would suggest that such action would overcome the difficulty of that man becoming reestablished. At the present time about 3,800 men under the old act have an equity of less than 16 per cent. The loan companies in Canada recognize, generally speaking, that a man must have an equity of around 50 per cent in his land if he is ever to be able to repay the debt. The new act places the equity at 33¹/₃ per cent. Many of us felt that in dealing with the settlers under the old act we should give them an equity of at least 331 per cent. What does this recommendation really mean? I hope the minister will later define what he considers should be the guiding principle in giving that equity.

The CHAIRMAN: I must point out that, except in a very casual way, reference to former legislation is not in order. On second reading of this bill an exhaustive comparison was made of this new legislation with the old act. I shall have to draw a line somewhere. Let us not neglect the real issue before the committee.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. PERLEY: This morning a number of bouquets were passed around, to the minister, the chairman of the committee, and the committee generally. I want to associate myself with what hon' members have said in this regard. I was not a member of the committee, but I tried to keep in close touch with what was happening. I read the reports, and I think the committee did a splendid work. There were only thirteen members, two of whom are in the army. The eleven who remained have a splendid record of attendance. I think this idea of smaller membership should be applied to the other committees. The agriculture committee has [Mr. Quelch.]

a membership of about fifty, which makes it almost impossible to do the work as efficiently as this committee has done its work.

This morning the minister referred to the amendments that had been made to the bill in committee. As the bill was thoroughly discussed in the resolution stage, it is not necessary to go into that now. The bill should go through the remainder of its stages rather quickly. It will come into operation by proclamation. It is a most important measure. It may be regrettable that the house will not have more time to study it, but we want to get through. I hope that the bill will prove more satisfactory for the returned soldier than did the previous soldier settlement scheme. The minister said this morning that from 50,000 to a possible 100,000 men may be placed on the land. In order to make this scheme a success there will have to be proper supervision and selection of both the men and the land.

I think it was the hon. member for Souris (Mr. Ross) who said that there is a future for agriculture. We are all coming around to that way of thinking. The hon. member referred to the agreement reached by the five leading wheat producing nations in connection with parity prices for the producer, particularly the wheat producer. I believe this house is more or less in agreement that some arrangement should be made with respect to that.

I should like to refer briefly to what happened after the last war. I was going to say that at that time men were placd promiscuously on the land. There certainly were not proper investigations with regard to the suitability of the land, the nearness to markets, and other conditions. That is one reason why that scheme can be considered to have been more or less of a failure. A number of settlements were set up in the west, particularly one in my own constituency known as the Piapot soldier settlement. This land was part of an Indian reserve. It was practically covered with bush. The men located there did a wonderful job, and the minister's officials will vouch for my statement. During the good times in Canada, from 1920 to 1930, these men established homes and proved themselves to be a credit to the country. In 1930 they ran into difficult times, and many of them went back. But I do want to pay a compliment to those men. If proper supervision is provided, and care is taken in selecting the land and the men, we will have a number of similar settlements in this country in a few years.

The financial assistance of \$3,600 for land and \$1,200 for stock and equipment is not any too much. If this is the only assistance

to be given, I do not think any farm should be larger than a half-section. The interest rate of $3\frac{1}{2}$ per cent seems to be reasonable. Section 23 of the bill reads:

Loans or advances authorized by this act shall not be made to persons who obtained loans or advances under the provisions of the Soldier Settlement Act.

It would seem that some injustice is being done to the veterans of the last war. A number of veterans of the last war who have been on the land left their homes and their families and enlisted in the present war. I understand that the subcommittee recommended to the main committee that consideration should be given to these men, and I trust that the minister will see that they get a square deal. I could cite many injustices which have been done to these men. I have in my office the records of many cases in which these men, and especially their wives, have been treated unfairly, and if I had the time I would place them before the committee. I know of several wives who have had to give up a portion of their allowance to pay the interest that was owing to the government under the agreement. That is unfair.

The selection of the land is dealt with under section 34. It is, of course, important that the land should be carefully chosen. I should like to see on the advisory committees a real dirt farmer representing the farmers and the young men who will settle on the land under this scheme. Under the old scheme many soldiers settled on the land at a valuation out of all proportion, even at that time. I hope that under this scheme, care will be taken to arrive at a proper valuation of the land.

This land settlement scheme will be a success with proper administration, guidance for the settler, and proper supervision. These are the important things to consider. I could say a good deal as to how the last soldier settlement scheme was administered, but I will content myself with saying that administration is the all-important thing, and given that, and guidance and proper supervision, I trust the scheme will be a success. I shall watch to see what is really done under this act, because, Mr. Chairman, it will not be long before it will come into force. Already some 52,000 soldiers, the minister has told us, have returned, and some of them are about ready to make their application to come under this scheme.

Mr. CRUICKSHANK: I think I represent and have the right to present the views of the Canadian Legion in British Columbia. As the only representative in this house from British Columbia of the Canadian Legion, may I say that we are in accord with this 44561-278 bill, but we are not in accord with the settlement of any colony, as a colony, be it returned soldier or otherwise, after this war; because so far in the Dominion of Canada no colony that we have ever settled as a colony has been satisfactory. That cannot be disputed. I include in that, English, Irish and Scotch and particularly the Scotch, because I happen to be of Scotch descent myself and think they are the finest people in the world. But settling any people as a colony does not work.

I have no quarrel with this bill, and I have no quarrel with the committee. I think it was a wonderful committee and I think this is a wonderful bill. However, the chairman was a maritimer, and they do not know anything at all about British Columbia.

Under the bill as it stands the soldier settler is entitled to \$3,600 for land and improvements, and \$1,200 for live stock and farm equipment. In the riding of Fraser Valley, which I represent, and which is a dairying and poultry-raising riding, it is impossible to establish yourself, either in poultry or in cattle raising, with an expenditure of only \$1,200. I hear some asides from my friends to my left of the legal profession who know nothing about farming. The increase in the price of dairy cattle in 1941 over 1940 was \$9 in British Columbia. Nobody can tell me that a man can establish himself as a dairy farmer, with the necessary stock and equipment, on \$1,200. Therefore the Canadian Legion of British Columbia-I have been ruled out of order, Mr. Chairman, before, often enough-

The CHAIRMAN: I must confess that I should rule the hon. gentleman out of order now, were it not that, from the start, the procedure on this bill has been most irregular. I cannot mete out to the hon. gentleman any treatment different from that which has been accorded to other hon. gentlemen who have preceded him and who were also out of order.

Mr. CRUICKSHANK: Thank you, Mr. Chairman. I shall try to confine myself within proper limits.

I am not finding fault with this bill, but I want to point out as emphatically as I can that in British Columbia you cannot start dairy farming, pay for your cattle and equipment, with only \$1,200. That is obvious.

There are several other points in this bill on each of which I should like to speak for forty minutes. But there is one item on which I speak with full authority and with the full knowledge of the returned soldiers in British Columbia, and that is the capital required. It is obvious that \$1,200 is not sufficient for a man to start up dairy farming.

Under this bill as amended a settler, even though he has made 90 per cent of the payments on his farm, is still regarded as a tenant. That is provided by section 10, and he is not entitled to be elected as a reeve, alderman, councillor or anything else. I am sure that the leader of the opposition will agree with me when I say that.

Mr. HANSON (York-Sunbury): He can be a member of the House of Commons.

Mr. CRUICKSHANK: From what I have seen, anybody can be a member of the House of Commons. This provision in section 10 may not mean much to the leader of the opposition, but it does mean much locally.

There is another point which I wish to bring before the committee. Under this amended bill, as I understand it, the municipality may sell a soldier settlement farm if municipal taxes are in default. Prior to this amendment they could not do that. Some hon. members present may not come from what we call organized territories, but it is a serious thing to a municipality that under the bill, as I understand it, you cannot sell that particular piece of land for the benefit of the municipality. The municipality has to supply schools, hospitals, and so on; yet it is entitled to no protection. That is my interpretation of the new bill, although I may not be correct. Certainly it was in the old act until it was amended.

Under section 10, as I understand it, the soldier who establishes himself in a particular district is not eligible to become reeve or alderman unless he has paid off the entire charge. He is treated as a tenant.

Mr. HANSON (York-Sunbury): Tenant at will.

Mr. CRUICKSHANK: The leader of the opposition says he is tenant at will. I do not know just what that means, not being a lawyer.

Mr. ROSS (Souris): That does not prevent him from acting as the hon. member stated, in my province; he may act under agreement of sale.

Mr. HANSON (York-Sunbury): That depends on the local law.

Mr. CRUICKSHANK: I am getting advice around here from such distinguished men from the maritimes and Manitoba that I am going to lose the line of my own speech. I do know this: probably for the first and last time in my life I agree with the leader of the opposition, and, certainly, with the hon. member for Souris, who, I thought, put up an

[Mr. Cruickshank.]

excellent story in connection with returned soldiers' problems so far as this bill is concerned.

There is another thing to which I wish to draw attention, and I am bringing it up now because I want to expedite this bill as much as anybody else does. I think that someone from the Canadian Federation of Agriculture should be on these boards. I have every respect for the Department of Agriculture under the present minister, I think we have an excellent system, but I would point out that the farmers have suffered owing to the fact that the wartime prices and trade board have overawed or overstepped the Minister of Agriculture. As I understood the hon, member for Souris, he suggested that, instead of a practical man from the Department of Agriculture, a practical farmer should be appointed on these boards. A suitable body from which to pick a representative is, I think, the federation of agriculture.

There are a number of other things to which I might draw attention. I am not criticizing the soldier settlement board of the past, but I am very much interested in these two points. Personally, and I believe I speak for my riding, I am absolutely opposed to colonies. I do not care of what class or of whom they are composed. Second, in British Columbia there is no place where you can buy cattle and equipment for \$1,200 and support your family or even pay your debts. You could not even go into debt properly with a borrowing like that. We think that sufficient leeway has not been allowed in that respect. Again, under the bill as now drafted, the land does not become the property of the settler even though he has paid 95 per cent of the cost; he is still subject to tax sale, and, as I understand the bill, has no recourse other than to this board, even though he may owe no more than 5 per cent.

Mr. REID: It is not my intention to delay the passage of this bill, because I spoke when the bill was first introduced. I have one remark to make before asking the minister two questions. I want to place myself on record as being opposed to the imposition of any interest charge whatever on the land. Most of the difficulties encountered by soldier settlers under the old act were due to the fact that the interest charges mounted up to the extent that in many instances, years afterwards, the soldier settler found himself owing more than he did when he first went on the land. I still advocate the Australian plan, where a soldier in going on the land knows exactly what he will pay, and his debt does not increase; he has the incentive of paying so

as to acquire title to the property. However, the committee did not deal very long with that question, and I am merely placing myself on record, pointing out where the great difficulties were in the past.

The first question I want to ask the minister is this. The soldier settlement board, I understand, have been making a survey of the Japanese property in British Columbia. Will this property vacated by the Japanese be made available for occupation by returned men? Many choice pieces of property are involved, and most of us from British Columbia are particularly interested in this settlement of the Japanese-vacated lands. We are interested from two points of view: that our soldiers may not return after their war service and find once again orientals holding special pieces of property in the province; and that, if soldier settlers are given the right there, there will be no great incentive for the Japanese to return to British Columbia after hostilities cease.

My second question is this. Of late years we have been passing legislation dealing entirely with those who have been unable to pay. That is all to the good. But there has been a class of soldier settler whose position and case no one has so far voiced. I am thinking of the man who scraped every last cent he could, who denied himself the necessities of life, who, with his wife, struggled along to pay for the property. I have in mind a case in point. A soldier settler went on a piece of property in 1924 and is still struggling to pay for it. He said when I was back there, "Mr. Reid, is nothing to be done for me? Do you want me to collapse like some of the other boys have done, and go before the farmers' creditors arrangement board? I can't get one cent of reduction. My wife and myself have struggled and denied ourselves all these long years, yet no encouragement is given by the government and the country for us to carry on." Are we going to do anything for that class of settler? I make no apology for raising my voice on behalf of these people. Is there to be any court or board set up to review these cases of long years ago? Some of them will not be able to pay this side of the grave, although they have been endeavouring to do so. Some attention should be given to that type of soldier settler.

Mr. MACKENZIE (Vancouver Centre): The second question raised by my hon. friend deals entirely with the conditions of settlers under the soldier settlement board, which, as he knows, is not under my jurisdiction. But a committee of the house did review conditions under the soldier settlement board, and made

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Veterans' Land Act

certain recommendations to this house which will be considered by the government as soon as possible.

As to the first question of my hon. friend, regarding the survey of lands previously occupied by Japanese in British Columbia, it is almost impossible at the present moment for us to make a definite statement of policy in the matter. As a result of surveys to be made we must first of all know the nature, quality and value of the land available, and an ultimate disposition of the matter will depend upon the policy finally decided upon by the government.

Mr. HANSON (York-Sunbury): The question of alien enemy property is clear now. The minute Japan came into the war the property of Japanese nationals automatically came under the jurisdiction of the custodian. As to the property of persons of Japanese origin who are now Canadian nationals, that is another thing.

Mr. FAIR: I wish to call the attention of the leader of the opposition once more to the fact that he is the man who is advocating that this house should get through its business in a hurry, but no one has talked more and said less than he.

Mr. HANSON (York-Sunbury): That is an offensive statement. I leave it to the judgment of the committee if I do not contribute more to the discussions in the house than the hon. gentleman who is now on his feet.

The CHAIRMAN: The language the hon. member used is offensive. Hon. members should not indulge in such language.

Mr. FAIR: I did not get what you said, Mr. Chairman. I am a long way from the chair and I did not hear your remarks. When this bill was introduced some weeks ago I intended to say a great deal more than I did, and much of what I should like to say I shall reserve until a subsequent time. However, two things are necessary if this bill and the soldier settlers themselves are to succeed. The first point I had in mind was that no system can succeed unless agricultural prices are such as to bring cost of production. This has not so far been recognized by the government. No matter what this bill may contain, no matter what the government may think it is doing for the soldiers, the fact is that they cannot succeed unless that aspect of the matter is attended to.

Another point I wish to bring out is that the administration of the act will have a good deal to do with the success or failure of the

soldier settler. I understand that in large part the business of the committee was conducted in camera, and for that reason we are not able to bring here a good deal of the evidence that was given to the committee. However, from statements that I have from members of the committee and others I gather that everything is not as it should be with the administration. During the years I have been in this house I have received many letters, and I have read letters that have been written to the press of western Canada, in which I am particularly interested, showing that a number of settlers have lost faith in the present director of soldier settlement. Perhaps the director is not acquainted with what these soldiers have to go through.

Mr. HANSON (York-Sunbury): We are on section 1 of the bill. I submit that the discussion now going on with regard to the conduct of the director is entirely beside the point. The hon. member should be asked to desist.

Mr. FAIR: I am dealing with the administration of the act, and I am following exactly the line that has been followed by several members this morning.

The CHAIRMAN: I shall have to apply the rule sooner or later, and, I fear, sooner than later. The whole debate has been out of order. I do not wish to appear to be partial. I wish to treat all hon. members equally, but the difficulty is to know where to draw the line. I have already quoted several times standing order 58, which provides that at all times the discussion must be strictly relevant to the section of the bill before the committee. I do invite the cooperation of all hon. gentlemen and ask them to limit their remarks, as much as possible, to the subject matter under discussion.

Mr. FAIR: This morning the minister in charge of the bill suggested that a good deal of latitude be given and the members of the committee gave their consent. I believe the Chair takes direction from members of the house, and I suggest that I have a perfect right to say what I intended to say. It is only a very few words.

The CHAIRMAN: Provided it is confined to something which has a direct relevancy to this particular section of the bill.

Mr. FAIR: I did not intend to take onethird of the time I am taking if there had not been these interruptions. All I wanted to say was that we have some farms, some fairly good, perhaps some poor ones, or some of medium quality, on which some of the [Mr. Fair.] high officials in charge might have been placed for a period of twenty years, alongside a number of old soldier settlers. In that way they could have gained at least a little appreciation of what the soldiers have been going through, and we would have had a more sympathetic administration of the act.

Mr. SHAW: There are one or two observations I have to make which have been inspired by a communication in the form of a resolution which I have received from the Bowden branch of the Canadian Legion in Alberta. But before I read this communication, may I say that farming conditions in that district are generally regarded as favourable. The majority of the members of the Bowden branch of the Canadian Legion are hard-working, energetic farmers, many of whom settled under the soldier settlement scheme, and they have been operating thereunder for approximately twenty years. Many of these settlers, before settling on the land, fought in the mud of Europe to preserve the right to live, and most of them have been fighting in the succeeding twenty years for the same right, though they are not sure yet whether they have attained that right or not. The resolution reads:

Whereas the dominion government is establishing another soldier settlement scheme to rehabilitate servicemen when discharged from the service;

And whereas the last settlement resulted in an enormous percentage of complete failures and a very considerable number of those still operating their farms are hopelessly in debt;

And whereas the proposed scheme is undoubtedly an improvement on the last it still is tying an interest-bearing debt on the settlers which past experiences indicate will ultimately prove disastrous:

Therefore be it resolved by Bowden branch No. 83, B.E.S.L. that no interest be charged to any scheme of rehabilitation, land settlement or otherwise.

Be it further resolved that before constituting any new settlement scheme we strongly urge that steps be taken to see that settlers still operating their soldier settlement farms be eased of some of their burden of debt so that they have a reasonable chance of obtaining title to the land within a few years.

I believe we all welcome this new land settlement scheme in principle. I dare say it will be discovered before long that a certain number of changes will have to be made in it. However, I feel that we should give our support to the general principles of the scheme. One suggestion that has been made of which I do not approve is that these persons be established in settlements next to industrial centres where they might take part-time employment. That is interfering with labour people who have no other way of making a livelihood except by their labour. Moreover,

4400

to admit that your settlers will have to go into industry for part-time work is an admission that the scheme is not self-sufficient. I cannot support the suggestion unless it is clearly understood that should that be done it would be for the express purpose of enabling such settlers to take part-time employment

the provisions of the bill. Section agreed to.

On section 2-Interpretation.

Mr. CASTLEDEN: I notice the definition of land is:

elsewhere because they cannot get along under

(b) "land" or "lands" includes granted or ungranted dominion, provincial or private lands . . . and all rights or interests in, or over, or arising out of, and all charges upon, land or lands as herein defined.

What about mineral or oil rights?

Mr. MACKENZIE (Vancouver Centre): My information is that they would not be involved where they run with the title.

Mr. EVANS: Has any consideration been given to settling on the irrigated lands of western Canada which are being developed under the Prairie Farm Rehabilitation Act?

Mr. MACKENZIE (Vancouver Centre): These lands will be considered with other lands as long as suitable schemes can be devised within the compass and scope of the proposed legislation.

Section agreed to.

On section 3-Appointment of director.

Mr. SHAW: One point about which I am considerably exercised is with respect to the appointment of such officials as supervisors under the soldier settlement board, sometimes referred to as field men. Does the Civil Service Commission of Canada make these appointments, or does the director of soldier settlement make them? Furthermore, if an appointment has been made by the civil service commission, has the director of soldier settlement authority to override the appointment? If the recommendations of the civil service commission are not proper recommendations, we had better do something with the civil service commission and their examiners. I am not criticizing them or saying there is anything wrong with them, but if they have examined the candidate, either orally or by written examination, and the candidate rates at the top of the list and is subsequently appointed by the civil service commission, what authority has the director to upset the whole thing and have the man discharged, as was done in a case in my constituency a year ago?

Veterans' Land Act

Mr. MACKENZIE (Vancouver Centre): I am informed that these appointments will be made in the future, as they have been in the past, by the civil service commission. As to the second question, any dismissals that are necessary are within the terms and conditions and provisions of the Civil Service Act. I have no personal knowledge of the case referred to by the hon. member, but probably the opinion of the director was sought by the civil service commission. All these appointments and dismissals are within the provisions of the Civil Service Act.

The CHAIRMAN: I would point out that the question the hon. member is raising would come under section 4. We are now on section 3.

Mr. CASTLEDEN: Whether a bill of this kind will succeed or fail is largely dependent on the attitude of those administering it. The soldier settlement scheme after the last war was a dismal failure, as has been proved in this house on several occasions. I believe the records show that not more than about 10 per cent of the soldier settlers have established homes of their own on the land. For Saskatchewan I think 10 per cent would be high. Of the 10 per cent who are still on the land, very few have established complete equity in the land, or have been able to pay off their indebtedness from the proceeds of their years of toil. Investigating numerous cases I have found that those who have been successful in paying off their indebtedness have had outside source of income. I have in mind the settlement around Stockholm. About twenty-five settlers went there after the last war, and to-day there are three left, bitterly disillusioned. I have had difficulty in understanding the attitude of the director-

Mr. MACKENZIE (Vancouver Centre): I must with reluctance rise to a point of order. There is no administration provided for the carrying out of the bill we are now considering. The hon. member is discussing the administration; that I think is not germane to the provisions of the measure now before this committee.

Mr. CASTLEDEN: Section 3 has to do with the appointment of director and employees. I am trying to point out how important it is that these men be in sympathy with the men who are placed on the land. I should like to impress upon the government, whatever department administers the act, that the attitude of the sons of these men who took up land under the old scheme is such as to drive them away from a land settlement scheme for veterans. The fact that at the present time there are only 30,000 men in the armed forces who are thinking of going back to the land is proof of the failure of the old scheme.

Mr. MACKENZIE (Vancouver Centre): That is not correct. It was 30,000 out of 200,000 among whom a survey was made. There are 500,000 in the fighting services at the present time.

Mr. CASTLEDEN: Well, 30,000 out of 200,000 is about 15 per cent.

Mr. MACKENZIE (Vancouver Centre): The percentage is 16.6.

Mr. CASTLEDEN: What I have further to say as to administration under the old act can be reserved for another time. But unless the director takes into consideration the health of these men, the assistance they have, and looks upon this as a scheme to establish men on the basis of a decent standard of rural life, the whole scheme will fail.

Mr. PERLEY: Is there a possibility that the director of the soldier settlement scheme may be the director under this measure? If so, there should be some consideration of his salary. There should not be two salaries, and it would not be amiss to set out the director's salary in the section.

Mr. MACKENZIE (Vancouver Centre): The hon. member's suggestion will be carefully considered at the proper time.

Mr. PERLEY: We should have some assurance. One man should not hold two positions.

Mr. MACKENZIE (Vancouver Centre): I am not the minister entrusted with the administration of the act. All I can say is that my hon. friend's observations will be noted in the proper quarters.

Mr. MARSHALL: I find myself in agreement with hon. members who say that the success or failure of the scheme depends entirely upon the manner in which it is administered. I would ask the minister a question in connection with the explanation given opposite page 3, where it is stated:

This section makes provision for the type of administration. It recommends administration by a director responsible to the minister, rather than administration by a board. Very great responsibility would be vested in the director, and it is deemed wise to establish direct contact between the minister and the director responsible for operations.

What is the advantage to be gained by the act being administered by a director rather than by a board?

[Mr. Castleden.]

Mr. MACKENZIE (Vancouver Centre): My hon. friend will recall that in its early stages the old act was administered by a board. The change was made from a board to a director on the theory that a director responsible to a minister of the crown would set up a closer connection with parliament as such than was possible under the old soldier settlement scheme.

Mr. DONNELLY: I notice that one of the duties of the director is the purchasing of agreements of sale, or the buying of lands. In my opinion this is one of the most important provisions in the measure, and it was a failure to carry out this provision properly that practically ruined the old soldier settlement scheme. Too high prices were paid for land. Upon the return of the soldiers to Canada the government decided to buy lands, and they paid two or three times the proper amounts. I hope that under this measure it will be seen that right and proper prices are paid.

I do not know of any more difficult procedure to-day than that of valuing land. I know what I am talking about when I say that it is almost impossible to find a man in western Canada who will put the same value on land as will some other man. You will find the soldier settlement valuator out on the bald prairie, or in the southern part of Saskatchewan, which is known as the bald prairie or the short-grass country, valuing land as low as \$10 an acre. Then you may call in a representative from the Saskatchewan farm loan organization, who may value it at \$20 an acre. Then you may call in a man from a mortgage company who may value it at \$25 an acre. And so we find the same piece of land valued at all the way from \$10 to \$25 an acre. Each man has a different opinion as to what the land is worth. The value of land depends on whether one is going to get a crop; it depends also on the price one will receive for his wheat. It depends, too, on whether you will reap your crop. Taking all these factors into consideration it is at once apparent that land is worth what one can get out of it, and that is all. When one is placing a value on it he has to be careful about what he is doing. If not, many settlers will go out into the country and find themselves unable to pay for their land.

A man cannot be expected to begin the production of wheat on the \$3,500 he is to pay for the land. That is not enough capital to buy land to become a wheat grower. As I have pointed out before, wheat growing is a specialized form of farming, just as much as are the growing of apples or the raising of dairy herds. Ranching or the raising of cattle is also a special kind of farming. This amount of money may be all right for farmers in the northern part of the province, where there are bluffs and mixed farming. But a man is not going to be able to buy enough land with \$3,500 to start up wheat farming. He would have to put crop in one half and summerfallow the other half if he is on the bald prairie. The result would be failures such as we have had in the past.

In my part of the province very few soldiers who settled are now in that vicinity making a success of farming. In the last ten years I doubt whether the soldier settlement officials in my district have collected enough money from soldier settlers to pay their own salaries. We do not want that to happen again. This is why I dread that there may be failures such as we had after the last war. When I talk to men in my district they say, "Oh well; any soldier settlement scheme on lands in this district is bound to be a failure". That is the view held by many people, and that is why I say to the minister that if he approaches a scheme of this kind with the idea of putting people out on the bald prairies to grow wheat, he is going to have trouble.

Mr. ROEBUCK: Several times during the debate it has been stated that the last land settlement scheme failed. It did, in a most outstanding way. There are two main requirements for success on a farm; the first is the farm itself, and the second is the farmer. I believe much of the failure of the last scheme was due to the quality of land bought and supplied to the farmer. The farmer may have had his faults, but the low grade of land purchased at the time of the last scheme was perhaps the chief explanation of the failure of that scheme. Obviously the amount of money which can be invested is limited. As soon as it is learned that the government proposes to buy land under a scheme of this kind, every farmer with a gravel pit—that he calls a farm—rushes to the board and tries to pan it off. They did that with much success at the time of the last scheme.

Mr. CRUICKSHANK: In Ontario.

Mr. ROEBUCK: In Ontario, and, I presume, everywhere else. I am not competent to describe the type of land on which a soldier should be placed, but I am satisfied that those who did buy land under the last scheme were not more competent than I am.

Mr. ROSS (Calgary East): I do not think that was true of Alberta.

Veterans' Land Act

Mr. ROEBUCK: It may not have been true of Alberta, but from what I have learned about land settlement in the past I am inclined to think much of the failure was due to the miserable quality of soil those people were asked to cultivate. I see in this measure no provision against a repetition of that failure.

Mr. MACKENZIE (Vancouver Centre): There is a selection committee.

Mr. ROEBUCK: Well, if they are anything like the last selection committee they are not much of an insurance policy. I hope they will be very different under the present minister. I suggest that the government of Canada should never invest money in farm lands on the recommendation of a director selected by the civil service commission, without having a report respecting the purchase-possibly two or three reports-from the dominion agricultural authorities. This bill should make it necessary that there be a recommendation by men who know land, who are experts in land, who know what crops can be grown suitably in a locality, in connection with any land to be settled by these soldiers. The first essential should be a report by somebody who is not too close to the picture, who is not taking part in the negotiations, who would be responsible for saying that the land is suitable for the purposes for which it is to be used. No purchase should be made until such a report is obtained from a disinterested expert.

Mr. ROSS (Souris): I think this discussion should be under section 9.

The CHAIRMAN: I was just going to draw the hon. member's attention to that. Will hon. gentlemen cooperate with the Chair so that we may proceed in an orderly fashion?

Mr. ROSS (Souris): I have one suggestion to make, and I do not know whether this is the right section under which to make it. My question has to do with the administration of the act in the future. Governments will change, and—

The CHAIRMAN: Section 2 states that "minister" means the Minister of Mines and Resources.

Mr. ROSS (Souris): All undertakings having to do with soldiers should be under the control of one department, and that department should be headed by a minister who is an ex-service man. That is why I suggest the Department of Pensions and National Health as it is now constituted.

Section agreed to.

On section 4—Officers instructors and other employees.

Mr. SHAW: Subsection 1 of this section reads:

The director may from time to time, subject to the provisions of the Civil Service Act, attach to his service such officers, instructors, clerks, stenographers and other employees as the execution of the purpose of this act may require and at such salaries as the governor in council may approve.

We have a civil service commission to administer the Civil Service Act. I do not know whether I am using the right language, but the civil service commission has in its employ several dozen examiners. Calls are sent out for applications to fill vacancies that exist and candidates meet at certain places to take either a written or an oral examination. From what has taken place in certain cases—I do not apply this to the soldier settlement board alone -I must conclude that the civil service commission will be obliged to call in the director of soldier settlement, who will approve or disapprove a man whom the commission may believe to be a suitable appointee. It would appear that the director of soldier settlement can override the civil service commission. If the director of soldier settlement is not consulted before an apointment is made, and he is not satisfied, all he has to do is to raise objection, and a man who has been appointed by the commission may be bounced out on his head, even though the appointment has been made after the commission has taken into consideration his qualifications, his physical condition, and his period of service in the war.

If that be true, why in the world do we spend hundreds of thousands of dollars every year on a civil service commission? Why are we sending civil service examiners from coast to coast at great expense to the people of Canada if their decisions can be overridden by some official at the head of a department? A very important principle is involved. If the civil service commission make appointments, let their decision stand. If the heads of departments-I am not speaking of cabinet ministers-are to make the appointments, why have this camouflage of a civil service, civil service examiners and a civil service commission? It will take a certain amount of explanation before I shall be satisfied in this connection. If I were to give the particulars of a certain case I would be ruled out of order; therefore I shall not ask any question as to a particular case about which I am greatly exercised. I should like to know whether the civil service commission are going [Mr. J. A. Ross.]

to appoint field supervisors, for example, or will that be done by the director of soldier settlement?

Mr. MACKENZIE (Vancouver Centre): They will be appointed by the civil service commission. I regret that I am not familiar with the case mentioned by my hon. friend, because it is not in my department.

Mr. SHAW: Some minister is going to be made familiar with the particulars of this case. Does the director of soldier settlement sit in with the civil service commission when they are considering applications? Must an appointment meet with the approval of the director of soldier settlement before it can be made?

Mr. MACKENZIE (Vancouver Centre): My hon. friend is dealing with the Soldier Settlement Act, of which I have very little knowledge. I cannot really answer his question with regard to administration. We are dealing with the future, and I am just answering questions which have to do with the future.

Mr. SHAW: I appreciate the position in which the minister finds himself, but it is important to determine to a certain extent what is going to happen in the future. The minister should examine into this.

Mr. MACKENZIE (Vancouver Centre): I shall be glad to look into it. Will my hon. friend be kind enough to give me the particulars privately?

Mr. SHAW: I have no objection to that.

Mr. WRIGHT: We have one minister introducing a bill which is to be administered by another minister. The result is that we are not getting the information we should get. The minister who is to administer the act is not here.

The CHAIRMAN: We are not discussing the Soldier Settlement Act; we are discussing Bill No. 65. To a question put to him, the minister answered that this bill dealt with the future. I do not believe it is in order to press the minister for information in connection with the administration of another act which is not before the committee.

Mr. WRIGHT: I am simply pointing out that we have a minister introducing a bill which will be enforced by another minister.

The CHAIRMAN: The minister has answered the questions put in connection with the administration of the bill now before the committee. No hon. member has the right to inquire from a minister with respect to another act not now before the committee.

Mr. ROSS (Souris): I think it would have been the proper procedure to have the minister present who will have the administration of this legislation. If the Minister of Pensions and National Health wants to sponsor the bill, it is quite all right, but surely the minister under whose jurisdiction it will come should be present.

Mr. MACKENZIE (Vancouver Centre): The government as a whole will be bound by any answer that I may make to any question asked. I can assure my hon. friend on that point. When I stated, as the minister in charge of this bill, that appointments will be made by the civil service commission, I am responsible, and so is the government, for that declaration.

Mr. HANSON (York-Sunbury): Let us clarify the position. Section 4 gives the power to the director to employ, subject only to the applicable provisions of the Civil Service Act, all the temporary staff that may be needed at the inception and perhaps the most active stage of this scheme. The government has the power under the Civil Service Act to appoint temporaries. That is exactly the power that is being vested in the director under section 4. The civil service commission will not appoint these temporary employees; they will be appointed by the director. That is the principle involved in this section. I wonder whether the members understand it, and if they do understand it, do they approve the principle?

Secondly, under subsection 2, "all such appointees shall perform such duties and functions as the director may prescribe." Somebody, of course, has to prescribe the duties and functions of these temporary employees. But subsection 3 provides that officers attached to the present soldier settlement board are to be sloughed off and put under this act. The whole object of subsection 3 is to give the power to do that. It says:

Notwithstanding anything in the Civil Service Act, the Civil Service Superannuation Act, or any other act, a civil servant, who, at the time of his appointment or employment under or pursuant to the provisions of this act, is a contributor under the provisions of the Civil Service Superannuation Act. . . .

And so forth. By some process the civil servant is to be sloughed off from the one department and put into the other. That is contemplated by subsection 3, and we might as well understand it. Do we approve the principle? I think hon members ought to understand the intention of section 4 before we pass it. The minister may say that all appointments are to be made by the civil

service commission, but, with all due respect, that is not correct. The appointment of temporaries will be made by the director, subject only to the limitations in the Civil Service Act, which are mighty little with respect to temporaries.

Mr. MACKENZIE (Vancouver Centre): It is of universal application, with the exception of transfers of civil servants from other departments to this new department.

Mr. HANSON (York-Sunbury): If civil servants can be transferred now from one department to another, why the necessity of subsection 3 of section 4? It is to preserve their rights, I suppose.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): But it means more than that. I think the minister ought to tell us exactly what it does mean.

Mr. MACKENZIE (Vancouver Centre): It means exactly what I said. All appointments, with the exception of transfers, are made by the civil service commission, within the terms of the Civil Service Act.

Mr. CASTLEDEN: Will it be possible, as under the old act, for the director to override appointments made by the civil service commission?

Mr. MACKENZIE (Vancouver Centre): I am giving only my personal opinion, but I think the only exception would be where the director thought a person was not suitable or technically qualified. He could then make representations to the commission, where the ultimate decision must rest.

Mr. CASTLEDEN: After the commission has made an appointment and the man has been told to report, will it be possible for the director to override their decision?

Mr. MACKENZIE (Vancouver Centre): The civil service commission establish an eligible list. Then they consult the officials of the department concerned, who may make representations as to whether or not in their opinion the person chosen is suitable.

Mr. HANSON (York-Sunbury): The minister must know that under the Civil Service Act, after the civil service commission has given a candidate a certificate, he may be rejected by the department. That has been done a thousand times in the last few years. They have to show cause, of course, but I have known cases where a man has been rejected because the department wanted to get somebody who was a little further down

on the eligible list. That is a negation of the principle of the Civil Service Act. I point this out so that hon. members will understand what the power is, what the practice is, and what the ultimate result may be.

Mr. MACKENZIE (Vancouver Centre): That is exactly what happened in the case my hon, friend referred to a few minutes ago.

Mr. SHAW: I have only one observation to make in this regard. I must conclude that the authority vested in the civil service commission exists in theory and nowhere else. It is time that this house should demand an examination into the operations of the civil service commission—not that I am criticizing that body, but to find out what authority they have and what interference they must put up with in order to remain civil service commissioners.

Mr. FRASER (Peterborough West): The note to section 4 says that this section contemplates employment of temporary staff. What period of time does the soldier have, after the war is over, within which to indicate that he wants to come under this scheme? Is it one month, six months, a year, or a number of years?

Mr. MACKENZIE (Vancouver Centre): There is no limitation whatsoever.

Mr. FRASER (Peterborough West): Should there not be some indication of that in the bill?

Mr. MACKENZIE (Vancouver Centre): Other means will be taken to advise those who might wish to become applicants.

Mr. WRIGHT: What publicity is to be given to the fact that this enactment is in existence for the benefit of the soldiers, so that they may start to acquire the 10 per cent that is necessary to come within the provisions of the act?

Mr. MACKENZIE (Vancouver Centre): We have already distributed small cards amongst those in the service, but as soon as the bill is approved steps will be taken to see that its contents are thoroughly publicized amongst those serving Canada.

Mr. HANSON (York-Sunbury): If hon. members will look at section 24 of chapter 22 of the revised statutes of 1927, which is the Civil Service Act, they will observe that appointments are to be made on probation. It says:

The deputy head-

That would be the director in this case: [Mr. R. B. Hanson.] The deputy head may, at any time before the expiration of six months, reject any person assigned or appointed to any position under his control or direction, or he may extend the period of probation within which such person may be rejected for another six months; and the cause of rejection, or the reason for extending the period of probation, shall be reported by the deputy head to the commission.

2. Where a person is rejected, the commission shall thereupon select another person to take the place of the one rejected.

3. The commission shall, after investigation, decide whether the name of a rejected person shall be struck off the list as unfit for the service generally or whether he shall be allowed a trial in some other position for which he may be eligible.

So that any deputy minister can frustrate the appointments made by the civil service commission. Let us have that clearly understood.

Mr. MACKENZIE (Vancouver Centre): For cause.

Mr. HANSON (York-Sunbury): It must be for cause, but one cause is pretty nearly as good as another. He can invent a cause. I know of a case where that was done two or three times until the right man was obtained. That is, of course, an abuse of the principle of the legislation.

Mr. CRUICKSHANK: Was he a good Tory?

Mr. HANSON (York-Sunbury): No, it was for another reason—imagine what you like. I am pointing out what the legal position is. There is no doubt about it.

Section agreed to.

On section 5—Director to be a corporation sole.

Mr. HANSON (York-Sunbury): It does appear to me that this is setting up an entirely new principle, the creation of a corporation sole as a crown company or crown agency. What is the reason for it? The soldier settlement board was set up under a statute; it was a corporation, and the conveyances of land were all vested in it. I suppose the only difference between that creation and this, is that this is a corporation sole. It is putting very wide powers in the hands of one man, the director. I suggest that it is a departure and rather a questionable practice. I suppose provision is made elsewhere in the bill for someone else to be appointed immediately if the director dies. Where is that section?

Mr. MACKENZIE (Vancouver Centre): May I inform my hon. friend that the director

of the old soldier settlement board was made a corporation sole in 1935, when my hon. friend himself was in the ministry.

Mr. HANSON (York-Sunbury): That was because the scope of the act had been narrowed so little. This is going to be on an enlarged scale.

Mr. MACKENZIE (Vancouver Centre): The principle is the same.

Mr. HANSON (York-Sunbury): It is. I am not sure that I approve the principle, notwithstanding what may have been done in 1935. However, I simply call attention to the fact that this is establishing a legal entity as a corporation sole and defining the powers of the director. It could not be done, I think, in the right of the crown; it could not be conveyed to the crown. I agree it has to be done by some holding body.

Mr. MARSHALL: I want to come back to the question of the power that has been given to one individual as a director. The question is premised upon a recommendation which was submitted to the committee by the provincial committee for reestablishment of veterans in Saskatchewan. It says this:

We also feel that every effort should be made to eliminate any suggestion of political influence or favoritism in the acquisition of the lands and we fear that if the director, and that means the minister, is the sole arbitrator, that, no matter how well he does his work, nor how free the selection may be from the influences suggested, there will always be room for the suspicion that such influences were effective and such suspicion will give ground for agitation later on.

Were any other representations received, either by the minister or by the committee, with respect to this matter?

Mr. MACKENZIE (Vancouver Centre): Yes. I read that very carefully. In fact, it is an excellent representation which was sent down, I believe, by Brigadier-General Ross, who was chairman of that committee in Saskatchewan. That was made to a committee of this house before additional provisions were added to the bill as it was introduced and sent to the special committee, one dealing with regional and advisory boards, and the other dealing with provincial boards, with regard to the right and power of rescission. I am quite sure these provisions meet the objections which were raised by the Saskatchewan committee.

Mr. CRUICKSHANK: What does section 5, subsection 6, mean in so far as British Columbia is concerned? Mr. MACKENZIE (Vancouver Centre): It means that any land acquired by the director can be assessed by the taxing authority just the same as any other land can be.

Mr. CRUICKSHANK: So that there will be no misunderstanding, is it confined to the realization of taxes?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. CASTLEDEN: The powers vested in the director here are extensive. "For the purposes of acquiring, holding, conveying and transferring—any of the property which he is by this act authorized to acquire, hold, convey or transfer" he is granted full powers, and the section establishes in him a legal entity and corporate power to handle the whole of the property. Under subsection 4 he shall have an impress seal inscribed with the words "The director, the veterans' land acts". It appears to me that this power would be more appropriately vested in the minister, would it not?

Mr. MACKENZIE (Vancouver Centre): No; my hon. friend will find, if he looks in the old act, that the same powers were vested in the director of the soldier settlement board, as the result of consideration by various committees, in days gone by. I have here in parallel columns the old act and the present bill.

Mr. CASTLEDEN: The coat of arms, I suggest, should include a scale with a pound of flesh and Shylock's knife, that is if it is to represent the same administrator as under the Soldier Settlement Act.

Mr. CRUICKSHANK: Under section 5, subsection 6, what will be the standing in connection with municipal taxes, and the hedging and ditching taxes so far as the provincial government is concerned?

Mr. MACKENZIE (Vancouver Centre): I am informed that any taxes of any nature whatsoever assessed by a properly constituted taxing authority will be a charge against the land.

Mr. HANSON (York-Sunbury): I think I can add something to that. Under subsection 6 any land which is vested in the director is made liable to taxation, and recourse may be had to the land itself. But the taxes are not a debt of the director and therefore he could not be sued by any municipality for the amount of a debt. Is not that the distinction? Mr. MACKENZIE (Vancouver Centre): That is right.

Mr. HANSON (York-Sunbury): I was asked by my colleague the hon. member for Yale who has had to go out for a moment, to inquire if any plan has been established for the acquisition of the land. How are the lands to be acquired? Will a survey be made? Under the old act—I suppose we can constantly refer to that because of the experience under it—

The CHAIRMAN: Section 7.

Mr. HANSON (York-Sunbury): I think it will become germane to section 5, subsection 1. A soldier would see a piece of land which took his eye, we will say, and he felt he would like to have it. He brought it to the attention of the authorities, and if other things were equal he usually got that piece of land. Will the soldier have anything to do under this legislation as to what particular piece of land will be bought for him? In other words, putting it on a principle, will he have the right of exercising choice—which, of course, is a very important factor in all our lives?

Mr. MACKENZIE (Vancouver Centre): My information is that the soldier will have a certain right to choose, but subject to the land which he desires being approved by regional committees, who will undertake a close inspection of the values and suitability of the land, and the soil itself. Really it is a commingling between his choice and that of the committee.

Mr. STIRLING: The question my colleague asked is one I wanted to ask. Will the minister describe the plan the government is going to form in buying this land? Are the regional committees to be asked to look over this section and that section and indicate which properties are suitable for the purpose, and then is the government going to buy, and say to the returned man, "You can choose from these"?

Mr. MACKENZIE (Vancouver Centre): My information is that it is contemplated that some land may be acquired before operations are actually undertaken, but not in every case. Conditions would vary in every province; they would vary in British Columbia and the prairies, the maritimes, and Ontario. Although blocks of land might be acquired, no plans have yet been developed.

Mr. STIRLING: That is the real answer.

Mr. HANSON (York-Sunbury): They have not developed a plan at all?

[Mr. R. B. Hanson.]

Mr. MACKENZIE (Vancouver Centre): No.

Mr. CRUICKSHANK: In the event of there being a question as to priority of taxation as between the federal government, in this settlement scheme, dykes and drainage, and municipal taxation, who would have the priority? For example, if there is principal. or principal and interest of a certain amount, to be paid to the federal government, and there is a certain amount to be paid to the provincial government for dykes and drainage, and also municipal taxation, say, \$25 in each case, what would be the situation? I know it is hard to answer these questions, but that is what we are here for. Let us say there is \$100 to be paid out. The farmer has to pay \$25 to the federal government in principal and interest, \$25 for dyking, \$25 for ditching, and \$25 to the municipality. Will he lose his farm if he does not pay them all?

Mr. MACKENZIE (Vancouver Centre): I regret I am not familiar with all the details of the situation.

Mr. CRUICKSHANK: You should be.

Mr. MACKENZIE (Vancouver Centre): If the land were acquired under the conditions mentioned by my hon. friend, the tax would have to be assessed and paid. There is no priority that I know of.

Mr. CRUICKSHANK: It is not clear to me. I am not finding fault, but I want to find a way out. The farmer has a certain amount of revenue from the farm. He has to find a certain sum for dyking and ditching, for municipal taxation and for principal and interest to the federal government. I am not referring to the old act, but as I understand this new scheme he has to pay to the federal government, in the form of principal and interest, a certain amount, on the \$3,600 or whatever it is, and he also has to meet taxation. In some places in western Canada there are ditching and dyking taxes and municipal taxes, all of which have to be paid. There is only a certain amount of revenue. How can the farmer pay all these if he has to pay the federal government also? Suppose the federal government's bill called for \$100 and he had only \$100; would he pay all that to the federal government and disregard the provincial government and the municipal authorities, and if so would he lose his farm in consequence?

Mr. MACKENZIE (Vancouver Centre): The hon. member is discussing a matter which comes under section 15. I wonder if he would wait until we come to that section.

Mr. CRUICKSHANK: I shall be delighted to deal with it then.

Mr. HANSON (York-Sunbury): What the hon. member is trying to elucidate is this. A crown impost usually has priority, but this property is not the property of the crown, legally speaking, and I think they would be on a parity. I venture that opinion.

Mr. MACKENZIE (Vancouver Centre): The point is that under section 15 the director has the right to pay taxes and assessments and collect again from the soldier settler at the rate of $3\frac{1}{2}$ per cent interest.

Mr. MARSHALL: Will the director assume the taxes from the time that land is acquired?

Mr. MACKENZIE (Vancouver Centre): Yes.

Section agreed to.

On section 6—Training and instruction in agriculture.

Mr. HANSON (York-Sunbury): Under section 6 is it intended to use existing facilities for training these farmers, or has the government some elaborate scheme—

Mr. MACKENZIE (Vancouver Centre): There is no other scheme.

Mr. HANSON (York-Sunbury): May we take that as an accepted statement, that no new costly and elaborate scheme will be set up involving a substantial outlay—

Mr. MACKENZIE (Vancouver Centre): Correct.

Mr. HANSON (York-Sunbury) : - in placing veterans with farmers for instruction. I assume that will mean courses of instruction at local agricultural schools, which I think are very good. Subsection (b) certainly contemplates setting up a staff of instructors and inspectors to assist the veterans with information and instruction in farming. They would be travelling instructors, I presume, and arrangements will be made with the respective provincial departments or the extension departments of the universities. This gives the director pretty wide power. And what about the question of assistance while the veteran settler is undergoing training? Is provision being made for him under some other authority?

Mr. MACKENZIE (Vancouver Centre): That is taken care of in order in council P.C. 7633.

Mr. HANSON (York-Sunbury): That is the one referred to on the opposite page.

Mr. MACKENZIE (Vancouver Centre): The post-discharge order. I have not the full information by me at the moment, but benefits have been paid under these classifications, under that order, and I shall be glad to give the amount expended and the number of beneficiaries up to the present time. The question was asked some time ago. With regard to the training of men, the idea is to have real practical training with farmers already established, and the supervisors referred to are supervisors who will give advice and help after the settler is on the land.

Mr. HANSON (York-Sunbury): Is it contemplated that there shall be a great army of inspectors and instructors all over the country?

Mr. MACKENZIE (Vancouver Centre): No.

Mr. HANSON (York-Sunbury): Well, it is quite possible that the government will have dozens and dozens of inspectors throughout the country. I can see a flock of people who will want jobs under this act—and they will not have to be appointed by the civil service commission, but by the Minister of Agriculture. We know what that means.

An hon. MEMBER: Adding to the machinery.

Mr. HANSON (York-Sunbury): Part of the political machine.

Mr. WRIGHT: I wish to make just a few observations, not on what the section contains, but on what it implies. It is implied in this section that we shall establish on the farms men who have no practical knowledge of farming and we shall have to send them to practical farmers to receive instruction. With agriculture in the state in which it has been for the last ten years, I do not see why we should take men from other occupations and establish them in farming under government assistance. One might as well train a thousand barbers and set them up in Canada with government assistance when we have plenty of barbers already. Until there is definite indication that there is need of more men in agriculture, I protest strongly against this particular section. If there is need for these men in

agriculture it is all right to send them to practical farmers to receive instruction, and they would probably be better instructed in farming in that way than in any other. Under this section these men, if they have been engaged in agriculture, should receive a short course in the agricultural college during the winter months. On that short course they should be taught some standard system of bookkeeping.

Mr. MACKENZIE (Vancouver Centre): That is involved in the section.

Mr. WRIGHT: Yes, but in this course some standard system of bookkeeping should be taught to these settlers so that they will be able to keep a set of books to which the director and officials of the department can have access so that they may know exactly the financial situation of the settler and be able to show him where he was making mistakes or could improve. A definite mistake is being made if we intend under this bill to establish a lot of men in agriculture when there is no need for agricultural products.

Mr. CASTLEDEN: What is the basis of the veteran's right to training?

Mr. MACKENZIE (Vancouver Centre): I am informed that the basis would be, first, his application to become established as a settler; then the judgment of the officials of the board as to whether he was ready and suitable, on the advice of selection committees and others, to take immediate possession of land that was available. If he was a man with an agricultural background but slight experience he might have a course in an agricultural college in the winter, or a short practical course on the farm.

Mr. MARSHALL: Section 6 is more or less a joke. I should like to read what is said at page 2 of the report regarding the qualifications of these individuals to settle on the land. Mr. W. S. Woods is giving evidence before the committee:

Much has been said about the necessity for being rigid in the qualification of those who are accepted for settlement. I agree that qualification should be strict and should be carefully done, but am inclined to think there is a tendency to attach too much importance to a background of actual experience.

In my judgment, farming is a matter of temperament as well as experience. I have encountered settlers with a long background of experience who have not made a success, and have also encountered many with limited experience who have made first rate farmers once they acquired the requisite knowledge.

That is not all. He says:

The suitability of the wife is just as important, if not more important, than that of [Mr. Wright.]

the man and should be taken into consideration when qualifying men for settlement under the new act. Unless she is going to be a real helpmate to him and is temperamentally suited to farm life she might well be the cause of failure of the enterprise.

So that it is not a matter only of how well he may be trained or how excellent his knowledge of agriculture may be; he must have the proper temperament, and also his wife must be suited to farm life. Then, to wind it all up, he says:

It is felt that with an overhead debt not exceeding two-thirds of the cost of the land and improvements, or one-half the cost of the land, improvements, and stock and equipment, with an interest rate of $3\frac{1}{2}$ per cent and given reasonable luck, the men established under this measure have at least as good a chance of success as the average farmer.

He must have the education and temperament; his wife must be suitable, and he must have a certain amount of luck. These are the qualifications of the supermen who are to be placed on the farm.

Mr. JOHNSTON (Bow River): I am inclined to agree that this does not look so good. It seems to me the government is leaving the way open to get out of a lot of headaches arising from conditions that will exist when this war is over. When men came back after the last war one of the best ways the government had to get rid of them was to push them off on a farm. They were permitted to stay there as long as they could eke out an existence, and in a great many cases that is about all it was. You cannot take men who have no desire for farming, no inclination along that line, put them on a farm with an instructor and make farmers out of them. Nor can you send them to an agricultural school for six months and expect them to get anywhere, unless they are agriculturally inclined. Perhaps to a limited degree the section may be applied effectively; but certainly if it is the intention of the government after the war to send a lot of these men out on farms, give them agricultural instruction and undertake to make them worthy farmers, the government is going to find them in a very difficult position before many years. Unless these men are inclined to farming they will never make it go with a little training. As the hon. member for Melfort pointed out, what are you going to do with all these farmers when you get them on the land? Even now we are producing a surplus of all these things, and when the war is over there will be a great influx into the farming field; what will you do with the produce? Prices will be so much reduced because of increased

production that it will be a miracle if the government is able to sustain the market and sustain these men on a decent standard of living. It would be more sensible to endeavour to expand industry and make more provision for returned men to develop in industry.

Mr. MacNICOL: You cannot do that under a free trade government.

Mr. JOHNSTON (Bow River): Now we have the big industrialists saying "we do not want these men—"

Mr. MacNICOL: No, we want them.

Mr. JOHNSTON (Bow River): "--push them out on the farm where they can starve without so much noise."

Mr. HANSON (York-Sunbury): We are not suggesting that for a moment.

Mr. JOHNSTON (Bow River): The thing must be looked at from a business point of view. There are too many farmers now; that is why the farmers are not organized, why they are not getting decent prices for the things they are raising. If farmers cannot make a decent standard of living in these times when they at least have a chance of sending their produce outside the country, what are they going to do after the war when you have thousands upon thousands of these men pushed on the farm? They will be raising a great amount of farm products; prices will drop, and then where will they be? Unless the new minister is a wizard on this job it will result in the same financial condition as prevailed after the last war, and that is not a desirable situation. I am afraid the results of this provision are not going to be as rosy as the minister contemplates.

Mr. HANSON (York-Sunbury): If all these predictions that there is no future for agriculture in Canada are accepted, of course you might as well wash out this or any similar measure. I am glad to know that two hon. members on this side have declared to-day their belief that agriculture has a future in Canada. If it has not, what is to be the future of Canada? Agriculture has a future in this country and it should be the government's policy to see that it is bright. It has not been done under present conditions, and one of the reasons is the suddenness with which the government clamped down its price ceilings. It froze agricultural products at an uneven level, and there is not enough flexibility to allow that to be evened up. That is one of the main complaints I have about government policy. It froze agricultural prices at a relatively low and uneven

level. If you want confirmation of that, compare prices of agricultural products in Canada and in the United States.

Take wool, for example. We are being asked to raise more wool in Canada. Look at the price!—frozen at 25 cents, while across the line it is 41 cents. I know that the principle for which I am contending is a good one. I do not attempt at this time to lay down any principle for the rehabilitation of agriculture, because this is not the proper time to do so. But I do say that if we are going to take a defeatist attitude with regard to agriculture the bill is washed out.

There is something in the point made by the hon. member for Melfort, that until such time as agriculture can be made more profitable in Canada we should not take men away from other vocations or occupations and put them on the land unless they know something about what they are going to do. You cannot take a clerk from a drygoods store, send him to the war and then bring him back and make a farmer out of him. You cannot take people from London, place them on farms in New Brunswick and expect them to be successful, no matter how much assistance they may get from the government. You cannot take a lawyer from his office and make a farmer out of him; no one would argue that for a moment.

The minister should declare the government's intention. In establishing this policy is it the intention of the government to invite people who have had no experience in agriculture heretofore to go on the land?

Mr. MACKENZIE (Vancouver Centre): No.

Mr. HANSON (York-Sunbury): I suggest that in a large degree this scheme should be limited to farmers, sons of farmers, or those who show that they have not only a desire to go on the land and a love of the soil, but also an adaptability to that kind of work, and whose records show that they have already had some background and experience in agriculture. The scheme should not go beyond that stage. If the minister will give some assurance that that is the intention—

Mr. MACKENZIE (Vancouver Centre): That is the intention.

Mr. HANSON (York-Sunbury): If that be so, then I suggest that the government should adhere to that policy, and should not invite to go on the land or try to make farmers of people who are not suited to that type of work. It should not put square pegs in round holes.

Mr. ROSS (Souris): This point was discussed in committee, and unless I have misunderstood the minister, he said it was not the intention to take under this land settlement plan any one without agricultural background or experience. Is that correct?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. ROSS (Souris): That was my understanding; otherwise I would have disagreed violently with those sections. There are a great many young men with agricultural background, men who have been raised on farms but who as yet are not efficient farmers. I believe it was Professor Hope who pointed out in a detailed survey across the country that under present conditions not more than 2 per cent of our farmers are operating on an efficient basis. If before becoming settlers some of these young chaps could be placed with efficient farmers, under the scheme set up by the Department of Pensions and National Health, they could learn a great deal about efficient farming methods.

Mr. HANSON (York-Sunbury): Before getting their farms?

Mr. ROSS (Souris): Yes. They might receive their training either through that scheme or from the agricultural colleges. If the present 2 per cent of our farming population could be increased to any appreciable degree it would be a step in the right direction. I agree with what was said by the hon. member for Melfort. If we can increase the small percentage of our farmers who keep books, and who know exactly what their losses or profits have been, we shall have done something worth while. It is my understanding now that no one without agricultural background or experience will be brought in under this scheme. If that plan is carried out it will be worth while, and we shall be assisting our young farmers to become more efficient producers.

Mr. PERLEY: The point raised by the hon. member for Souris is worthy of consideration. I would be opposed to any extensive scheme for the training of men to go on farms. To a large extent the future of agriculture depends on land settlement, and if after the war we expect men to come from Great Britain to settle on our land, we should certainly, however, give consideration to our own men first.

I agree that the method described by the hon. member for Souris is the best one for the training of farmers, and I say that because I have had some experience along those lines. In the early days from ten to fifteen men were employed on my father's farm. My father, who was a former member of the house and of the senate, had a scheme under which he

got young men from the maritime provinces and some from England to spend a year or two on his farm. Those men were employed at reasonable wages, and some of them are now my neighbours, and the best possible farmers. They came from England without experience in farming, but they learned. Many men who have not had actual farming experience could be placed with good farmers throughout Canada, and I know many farmers would be pleased to take those men and give them a course in farming for a year. Such a course would be to the advantage of the men, and during the term of their instruction they would would receive reasonable wages. I believe that procedure would prove more beneficial than any training scheme possible of development. Mr. MacNICOL: How many instructors and

Mr. MacNICOL: How many instructors and inspectors are there in the 106 farms operated by the Canadian Pacific Railway at Tupper, British Columbia? I believe they have about 23,000 acres at that point. I venture to say there are very few inspectors or instructors.

Mr. MACKENZIE (Vancouver Centre): I am informed they have only one inspector.

Mr. MacNICOL: Would this scheme call for a greater proportion of inspectors? I believe the farmers who have settled on the railway property did not have farming experience. They had worked in factories in the Sudetenland, and were brought out here to these farms. I understand the Canadian Pacific Railway have trained them to the point where they are fairly efficient farmers. They are making good, and seem to be satisfied.

Section agreed to.

On section 7—Purchase, et cetera, of lands, buildings and other property.

Mr. HANSON (York-Sunbury): I note in the section the words "and commercial fishing equipment". I render thanks to the minister and the committee for not forgetting the man who for a long time in Canada, and especially on our eastern coast, has to a large extent been forgotten. People from the west talk about the trials and tribulations of western farmers in time of drought. I should have liked them to see the conditions of the fishing population of the maritime provinces in days gone by. Last summer in August I interviewed a fisherman at Passamaquoddy Bay who told me that up to that date his total catch takings had been less than \$25. I said to him, "How can you live?" He said, "I cannot go on any longer."

Mr. MACKENZIE (Vancouver Centre): Was he a lobster fisherman?

[Mr. J. A. Ross.]

Mr. HANSON (York-Sunbury): No; he was a sardine fisherman. It was not the fault of the price or of market conditions, because there was a market at the big cannery at Blacks Harbour for his catch. The fact was that the fish had not arrived; I have seen them delayed until the fall of the year.

There is another fisheman there, known as the shore or line fisherman, the price of whose products for many years has been so low as to be most discouraging. How can he hope to maintain his family? I have watched the catch of those shore fishermen go to the factories where it is processed, filleted and sent to the markets across the country. Not so long ago for a large-sized haddock in my own city I paid 87¹/₂ cents. I just could not believe the grocer when he told me the price of the fish, because I had bought salmon for less than that. It was a large sized haddock weighing seven or eight pounds when dressed, but I venture to say that the shore fisherman did not get more than five or six cents for that fish. There is a considerable spread between the price paid to the primary producer and what the consumer has to pay. I do not know how you are going to handle the situation. The fish goes from the fisherman to the factory where the processing takes place. There is a considerable loss in processing, and then the fish is packed for consumption. There are also transportation costs and retailing costs. The spread is terrible, but I do not know any way in which it can be overcome.

I know there has been a most substantial enlistment from the eastern provinces, and I want to give credit to the committeeperhaps more credit is due to the committee than to the department-for including this class of person and providing for his rehabilitation in the business he knows best. It may be that there will be considerable loss in connection with this. I do not know, but time and experience will tell. These men are as much entitled to be rehabilitated in the business they know best and to which they may desire to return as any young farmer or farmer's son who wants to go back to the land. They form a substantial part of our population, especially in constituencies which front on ocean waters.

I want to send out this warning. Great care will have to be exercised in the expenditure of this public money to prevent loss. Fishermen's equipment is very perishable property. The hon. member for Shelburne-Yarmouth-Clare (Mr. Pottier) will agree with me in that. One storm may ruin the whole thing, and the government must be prepared to accept a substantial loss in connection with

Veterans' Land Act

this proposal because of circumstances beyond the control of the fisherman-settler, if I may so term him. Nevertheless I am prepared-I was going to say, take a gamble, but it is not quite as bad as that—to see the country back these men and rehabilitate them. As I say, however, the greatest care must be exercised in seeing how much money is expended. There is provided in the bill a limitation of \$4,800, with \$1,200 for equipment. This does not necessarily mean that each man will have to have the maximum. Is \$1,200 enough for a fisherman's equipment? Will his home be included in the \$4,800? In the case of the farmer, \$3,600 is provided for land, improvements and building material, and \$1,200 for stock and equipment.

Mr. MACKENZIE (Vancouver Centre): This equipment would compare with the live stock on the farm.

Mr. HANSON (York-Sunbury): I suppose it is to be allotted on the theory that \$3,600 would be for his home and \$1,200 for his equipment. Along the bay of Fundy, \$3,600 will buy a very fine fisherman's home, but in these days of power boats and expensive nets and other equipment, \$1,200 will not go very far. I am not qualified to express an opinion or to speak dogmatically, but I would think that there should be a little leeway; that the one might be extended and the other reduced.

Mr. MACKENZIE (Vancouver Centre): If there were two returned soldiers, I should think they could get along very nicely with \$2,400.

Mr. POTTIER: I approve heartily the remarks of the leader of the opposition (Mr. Hanson). This is a step in the right direction, one of the things that we seldom see. The fisherman is now being placed in the same category as the farmer. I have been here for a number of years and have heard a great deal about the farmer being a person who is developing our natural resources, and he has been placed in a privileged class. The magnitude of the farming resources of Canada has brought that about, but there is no reason why the fisherman should not be in the same class. He is an important citizen. While the fishing industry may not be quite as extensive as farming, it is just as important in so far as the individual is concerned. I commend the government and the committee for developing this policy.

Mr. NEILL: I am inclined to agree with the leader of the opposition (Mr. Hanson) with regard to the division of the money. Three thousand six hundred dollars would buy a house out of proportion to the value of the gear, because \$1,200 at the outside will not buy very much gear if it includes a boat. I notice section 7 refers to commercial fishing equipment, and I should like to know if that is defined anywhere else in the bill?

Mr. MACKENZIE (Vancouver Centre): I do not think it is.

Mr. NEILL: A year from now this may be defined by some official as meaning not a boat but only a net or something of that kind. It should be defined.

Mr. MACKENZIE (Vancouver Centre): As I recall, that point was discussed by the committee, and the committee declined to make any specific allocation as between boats and equipment. They preferred to have a lump sum allocated for fishing equipment, whether it be boats or gear or part of the one and part of the other.

Mr. NEILL: Is the minister certain that the words "commercial fishing equipment" would include a boat? If I were asked what fishing equipment was I would say it was the gear used on a boat, not the boat itself. A boat is not equipment. It is like a car which you buy and put equipment on. Furniture is the equipment of a house, but does not include a house.

Mr. MACKENZIE (Vancouver Centre): It was certainly the intention of the committee that that should be included. The definition drawn up by the drafting counsel referred to boat as well as to gear.

Mr. HANSON (York-Sunbury): The same equipment as a truck would be on a farm.

Mr. NEILL: I can understand that the committee intended that, but a year from now will these actual words on this page mean that? Can the minister guarantee that the words "commercial fishing equipment" include boats?

Mr. MACKENZIE (Vancouver Centre): I can, and I will see that the regulations cover the point raised by my hon. friend.

Mr. STIRLING: It is not at all clear to me from this wording that a fisherman's house is covered by the section.

Mr. MACKENZIE (Vancouver Centre): The drafting was intended to cover that. Section 9 provides \$3,600 for a home as apart from live stock and equipment, and then provision is made to substitute "commercial fishing equipment" for "live stock and farm equipment" in other sections of the bill. The same benefits go to the settler who is a fisherman as go to the settler who is a [Mr. Neill.] farmer. If the hon, member for Yale (Mr. Stirling) will look at subsection 2 of section 9 he will see that the point he raised is covered.

Mr. WRIGHT: This is the section under which the director may purchase land. In most of the provinces extensive surveys of different soil types have been made, and I want to recommend to the director that these be considered in the purchase of land. No land should be purchased which does not come within the first two most productive types of soil. It will mean a lot to the success of this scheme if the right type of land is purchased. While we cannot put all these provisions in the bill, I do not think that point can be stressed too much. Land should not be purchased unless it comes within the better types of soil as surveyed by the various provincial departments.

Mr. MACKENZIE (Vancouver Centre): I shall see that the suggestion of the hon. member is carefully looked into.

Mr. MacNICOL: Section 7 reads in part: The director may, for the execution of any of the purposes of this act,

(a) purchase by agreement, at prices which to him shall seem reasonable, or—

I hope that anything I said this morning advising against rocky or swampy farms being purchased on behalf of soldier settlers will not be taken as a reflection on the county of Lanark to which I referred, because otherwise, if the director were not thoroughly awake to the opportunities in Lanark county, he might not direct his eyes toward it as a suitable county in which to buy farms on behalf of the soldier settler. Let me say at once that there is no finer agricultural county than Lanark and no more magnificent agricultural townships than Ramsay, Drummond, Dal-housie, Lanark, Beckwith, Bathurst and many others. I had no intention at all of intimating that the county of Lanark had very much rocky land in it because, as a matter of fact, it is a fertile and prolific county. I was simply urging that the soldier settler be placed on land where from the very beginning he would have a reasonable opportunity of winning out, and of course, he could not do that on a farm of 100 acres of rock, of which unfortunately there are a few not only in Lanark but in other counties as well.

Mr. CRUICKSHANK: Section 7 provides that the director may by agreement purchase land at prices which to him seem reasonable. I recall a section which said that prices must be agreed upon by a judge of the county court and a representative of the legion. Mr. MACKENZIE (Vancouver Centre): The committee to which my hon. friend refers, on which sits a county court judge, is the committe dealing with a rescission of contract. If the director decided to have a contract rescinded, the committee would review that decision. Then under section 34 regional or provincial advisory committees may be appointed to advise the director in connection with the selection of lands and the suitability of the applicant.

Mr. CRUICKSHANK: I was simply asking for information. On page 5 of the bill, under the heading "Acquirement of lands and other property," section 7 provides:

The director may, for the execution of any of the purposes of this act,

(a) purchase by agreement, at prices which to him shall seem reasonable, or

(b) in any other manner acquire by consent or agreement from his majesty in the right of Canada or from any province or municipal authority, or from any person, firm or corporation.

I do not want to see again the unfortunate policy that was followed in soldier settlement after the last war, and as I understand section 7 of this bill and subsequent sections, if the director cannot agree to a certain price for a piece of land, the question is submitted to a committee composed of a county court judge and a representative appointed by the Canadian Legion. Am I correct in that? In other words, the soldier may have an idea of what a certain piece of land is worth and the director may have his idea. There should be a body, consisting of a county court judge, a representative of the Canadian Legion, and so on who would more or less be a check on the director. I understand there is such a provision in the bill. Am I correct in that?

Mr. MACKENZIE (Vancouver Centre): The only section that would give the director the discretion to consult in regard to prices would be section 34, which provides for the setting up of advisory committees to advise in respect of the selection of lands and other matters of that kind as may be referred to such committees by the director. No doubt he would consult such a committee as to the fairness of prices in any particular region.

Mr. CRUICKSHANK: In other words, sections 7 and 34 are tied in together. Am I correct in that?

Mr. MACKENZIE (Vancouver Centre): They would be in practice, yes.

Section agreed to.

Section 8 agreed to.

On section 9—Sale of land, et cetera, to veterans.

Veterans' Land Act

Mr. ROSS (Souris): There has been considerable discussion whether the \$1,200 was sufficient for stock and equipment. While there is plenty of room for argument, the decision of the committee was that this settlement scheme was to be, first of all, a way of life for the returned men and their dependents, and second, a business undertaking. I hope that under this bill—this was agreed to in committee—where three or four or half a dozen settlers in a community—I am not advocating community settlement—desire to cooperate in purchasing power equipment, it will be possible for them to do so. Is provision made for that?

Mr. MACKENZIE (Vancouver Centre): I am informed that in practice the administration would have to be more or less certain that these men would be prepared to cooperate in agricultural development.

Mr. ROSS (Souris): Such a provision is very important. The hon. member for Wood Mountain said this afternoon that he hoped there would be no more settlers in his part of the country who would be expected to produce wheat, because they would be failures. The hon. member for Melfort pointed out that the soldier settlers would not have enough money to buy the necessary equipment. I do not think we should put settlers on the land with the idea of expecting them to produce wheat in the future as it has been produced in the past. I made reference this morning to the wheat agreement at Washington from which I should like to quote article 11 (production control):

1. The governments of Argentina, Australia, Canada and the United States of America shall adopt suitable measures to ensure that the production of wheat in their territories does not exceed the quantity needed for domestic requirements and the basic export quotas and maximum reserve stocks for which provision is hereinafter made.

That is something we should keep in mind when we are drafting legislation of this kind. Then article 111, dealing with stocks of wheat, provides that Canada's minimum should be 80 million bushels and its maximum 275 million bushels. This is a four-year agreement, and if we farry it out we shall have to change our agricultural set-up in this country, whether we like it or not. That is something we must keep in mind, and I am glad to have the assurance of the minister that a small number of farmers will be able to cooperate in the purchase of power equipment to reduce their overhead.

Mr. MacNICOL: Is the \$1,200 mentioned in paragraph (c) part of the \$3,600 mentioned in paragraph (a), or is it additional ? Mr. MACKENZIE (Vancouver Centre): It is additional.

Mr. MacNICOL: In other words, a total of \$4,800?

Mr. MACKENZIE (Vancouver Centre): The idea was this. The hon. member for Haldimand raised the point in the committee that a man might not take up a holding worth \$4,800, but might take up one costing \$3,600, and yet he might need \$1,200 for equipment.

Mr. CRUICKSHANK: That is very important. Could the total for land be \$3,600 and the remainder of the \$4,800 go for the purchase of equipment?

Mr. MACKENZIE (Vancouver Centre): That was not in the bill as introduced, but that is exactly the change that was made by the special committee.

Mr. QUELCH: The explanatory note on the page opposite section 9 states:

It will be observed, however, that there is no ceiling as to the cost price of land if the veteran is in a position to pay all costs in excess of \$3,600. There will probably be very few such cases, but it was not felt that the veteran with considerable capital of his own should be held to a \$3,600 farm.

I understand from that, that if a soldier had saved and had in the bank \$4,000, there would be nothing to prevent him from acquiring a farm valued at \$7,600. In other words, he would put up \$4,000 and get the board to put up \$3,600. Is that correct?

Mr. MACKENZIE (Vancouver Centre): I am informed that that is the situation.

Section agreed to.

On section 10—Veteran deemed a tenant at will.

Mr. CRUICKSHANK: This section reads: Every veteran holding or occupying land sold by the director shall until the director grants or conveys the land to him be deemed a tenant at will.

What does that mean? A man may be a tenant in a municipal area for some fifteen or twenty years, contributing his full share of taxation, yet having none of the rights of municipal occupation. That is the position of a tenant. You know, Mr. Chairman, what I mean by "municipal occupation". For once I am correct in my legal terms. He cannot be a councillor or reeve or alderman. Why he should want to run I do not know, but under this section he cannot.

Mr. MACKENZIE (Vancouver Centre): This section is particularly necessary in respect of administration, to obtain payments from production on the farm without starting

[Mr. MacNicol.]

proceedings for cancellation of the contract; to protect the administrator or administrators upon advances made for taxes, and to administer a separate farm if he has to absent himself therefrom.

Mr. CRUICKSHANK: I appreciate very much the legal expression given by the minister, but it does not mean a thing to me. I will try to put in as plain English as I can what I am trying to get at. As I understand it, \$4,800 is the total amount the soldier can borrow. He may pay back \$4,600, but so long as he still owes \$200 he is still living in Russia, Italy, or some gestapo country where he has no rights from the government. I do not think the minister or committee has realized what the section means. It may not mean much in unorganized territories, but in certain organized territories in the far west it means a great deal. A man may borrow \$4,800 from the people of Canada, because he fought on behalf of us and enabled us to live under these conditions; he may pay \$4,600 back, and yet-and I am sure hon. members with municipal experience will bear out what I say-he is debarred from being the elected representative of the people of his district, the district in which he has paid his taxes year in and year out, for some twenty-four years, because he is still a tenant at will. I do not think that is the intention of the minister or his department. Under the old Soldier Settlement Act there had to be a payment of \$500 on account of, not amortization or interest, but principal.

Mr. ROSS (Souris): I am not going to attempt to answer for the minister, but I think this chiefly revolves round provincial legislation. In my province—

Mr. MACKENZIE (Vancouver Centre): All over the dominion.

Mr. ROSS (Souris): —this will be an equivalent to an agreement for sale; is that not right?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. ROSS (Souris): Well, in Manitoba, where property is held under agreement of sale, a candidate for municipal office simply makes a declaration that he is the owner of the property and has an equity of \$500 in it, and that is all that is required. I do not know what the law is in British Columbia, but certainly we in Manitoba are covered, as are most provinces, by that legislation. But it is definitely a matter of provincial legislation.

Mr. CRUICKSHANK: I may be emphasizing this a great deal. I am not worrying about running for reeve or councilman; the next time I run it will be for Prime Minister. But whatever the law may be in Alberta or in Manitoba, that is not the law in British Columbia. I cannot see why any veteran of this war who borrows \$4,800 and pays back \$4,600 has to go to the house of Farris or some legal firm to prove he is entitled to run. It is beyond my ken; I do not approve it at all, and I want the minister to tell me. If he can assure me that that is not the intention of the section, I am satisfied. As I understand the section, however, the man will still be a tenant, and I defy the hon. member for Souris or anyone else to tell me that any man who is a tenant in any province can run for the office of reeve or mayor.

Mr. MACKENZIE (Vancouver Centre): This section is word for word the section in the old act. It has been there for twenty years; the matter has been decided in the Canadian courts, and it has always been held that it has nothing whatever to do with the right of a candidate to run for office. His right is determined, as my hon. friend directly said, by provincial legislation and regulation. There is no imperilling of anybody's rights with regard to running for office, and the hon. member for Fraser Valley is in error if he supposes that there is.

Mr. HANSON (York-Sunbury): This provision is put in for the protection of crown property, and I do not think it has any bearing except incidentally upon the civic rights and obligations of the tenant. I am not going to give a dissertation on the different tenancies there are, but under a tenancy at will a man is legally in possession but may be turned out without notice upon certain defaults. It is a pretty summary process under the landlord and tenant acts of the various provinces, but I would hesitate to suggest that the crown could relax this right.

Mr. CRUICKSHANK: I will ask one question, and then it will be on record. Will a veteran holding or occupying land sold by the director under Bill No. 65 have the right at such time and prior to such time as he completes his payments, to run for any municipal office provided he has complied with all the laws and regulations in so far as they come under provincial jurisdiction?

Mr. MACKENZIE (Vancouver Centre): The answer is, subject to the proper qualifications which are dictated or directed by the statutes of the various provinces. This bill has nothing whatever to do with the right to run for office.

Section agreed to.

On section 11—Title, et cetera, to remain in the director.

Mr. NEILL: Under subsection 2 of section 11 provision is made for a man holding some of this stock that the government has bought for him being enabled to sell it; how he should sell it and so on. Apparently no provision is made to ensure what I might call the continuity of the live stock. Perhaps he is running close to the border-line; he has not much equity left and he wishes to sell off the older stock. He may be entitled to do so, but if he does get permission to sell it I would point out the explanation that is given on the right-hand page opposite section 11:

In some cases release of title to a chattel would be followed by taking title to a replacement—in others it would not, depending upon circumstances. This, however, is an administrative detail to be covered by regulations.

For the protection of the crown and also of the settler should it not be provided that the department might give permission to sell certain stock, such as a mature pig or cow perhaps, on the understanding that the settler should replace it? If you do not make some provision of this sort, the man is liable to sell off all the stock and leave the crown in the lurch.

Mr. MACKENZIE (Vancouver Centre): That is the position, I am told, and it will be specifically provided for in the regulations but not under the bill.

Mr. HANSON (York-Sunbury): I wonder what they will do to overcome a case such as the one that was known as the Duncan Marshall bull act in Alberta—a rather notorious matter. How will they cover such a situation? Is it intended to take a chattel mortgage, or will title automatically vest in the director as a corporation sole?

Mr. MACKENZIE (Vancouver Centre): The title will vest in the director. It will be sold under lien agreement.

Section agreed to.

Section 12 agreed to.

On section 13—Director may make advances under certain conditions.

Mr. QUELCH: It is hard to understand how this will work. There seems to be something in it contrary to section 9. On the page opposite section 13 the following appears:

This section simply makes provision for a long term loan at a low interest rate, all of which is repayable, as there is no provision for

a conditional grant where the loan is made on the security of land owned by the veteran. It is felt that provision for the grant in such cases would go beyond the need-for-rehabilitation aspect of the whole bill. Cases may well arise where a veteran possessed of property worth anywhere from \$6,000 to \$10,000 needs a loan of say only \$2,000 to facilitate resumption of ordinary farming operations.

The settler has a place worth, say \$6,000, and he owes \$2,000 on it. Why would he not be entitled to turn that half-section over to the settlement board, obtain a loan of \$2,000, pay off the mortgage and get \$1,200 for stock and equipment? He has an equity of only \$4,000. Under section 9 I asked this question. If a settler had \$4,000 in the bank, would he be entitled to buy a place worth \$7,600 and obtain \$3,600 from the board, putting up the \$4,000? In answer to that question the minister said yes. Why should he discriminate against the settler who has \$4,000 tied up in land and say that he cannot come under section 9, but that the man who has \$4,000 in the bank may do so? There is rank discrimination. The minister is saying that where the \$4,000 is in the land the settler cannot come under the benefits of the free grant, but where that money is in the bank in the form of a deposit he can get that benefit under section 9. He can get an outright gift of \$2,400 under certain conditions, whereas under section 13 a man in a similar position cannot get a grant at all, but can get only a loan. I repeat, there is rank discrimination. Could the settler evade it by doing this? If he had a half-section worth \$6,000, with a mortgage of \$2,000, could he sell that half-section for \$6,000 and then buy it through the settlement board, obtaining \$3,600 and paying the remainder in cash? He would be doing the very thing to which I referred under section 9. Where is the dividing line between permission to a man to come under section 9 and compelling him to come under section 13? Under section 9 he gets an outright gift of \$2,400 under certain conditions, whereas under section 13 he does not get any gift but has to pay back every cent with interest. There should be some clarification.

Mr. MACKENZIE (Vancouver Centre): We debated this in the committee for three days, and it was decided that this is the way it should appear in the bill. I would refer the hon. member to section 23:

The director may decline to purchase land for or resell land to a veteran who, for the purpose of qualifying for assistance under this act, has made a voluntary sale or transfer of land or property suitable for his reestablishment under the provisions of section thirteen.

That is a partial answer; it is not complete, I admit.

[Mr. Quelch.]

Mr. HANSON (York-Sunbury): What is the exact difference between the two? Under section 9 the land is sold to the veterans up to a limit of \$4,800. Does the soldier make any contribution at all?

Mr. MACKENZIE (Vancouver Centre): Ten per cent of the land value, \$360.

Mr. HANSON (York-Sunbury): He has to pay that 10 per cent and that is all?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): What is the direct contribution of the government under the scheme?

Mr. MACKENZIE (Vancouver Centre): Take the maximum for land and buildings, \$3,600; add stock and equipment, \$1,200. That is \$4,800. The settler pays \$360 and on contract \$2,400, 50 per cent of the cost, or \$2,760, over a period of twenty-five years, and equity given by the government of \$2,040, making \$4,800.

Mr. HANSON (York-Sunbury): So that there is a grant of \$2,040 by the government.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): That is a free grant.

Mr. MACKENZIE (Vancouver Centre): That is the maximum.

Mr. HANSON (York-Sunbury): But the hon. member (Mr. Quelch) refers to advances on security of the land owned by the veteran, and apparently he has raised the question of discrimination. There would appear to be some discrimination.

Mr. MACKENZIE (Vancouver Centre): I think there is myself, but the committee went into the question thoroughly and we decided that it could not be corrected in any other way.

Section agreed to.

On section 14—Director may require insurance policies.

Mr. HANSON (York-Sunbury): This is the usual clause.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. WRIGHT: With regard to insurance, will the government consider the question of insuring the veteran's property under some group insurance scheme rather than by the method which has prevailed in the past? There have been many premiums paid in

excess of collections made, and I think there is a point there where a considerable saving might be made to the settler without any additional expense to the government.

Mr. MACKENZIE (Vancouver Centre): The government has already considered the question with regard to fire insurance but not the mortgage aspect of it. I shall be glad to bear the hon. member's remarks in mind.

Section agreed to.

On section 15—Director may pay taxes, etcetera.

Mr. NEILL: This section deals with the payment of taxes. It has been well said that the most expensive way of borrowing money is to fail to pay taxes. It is far better to borrow from a money shark than to obtain money by delaying to pay taxes. Conditions vary in certain provinces and municipalities, but let us say that the taxes for the year 1942 were due in February or March, perhaps in April. If they are not paid by a certain date, generally six months afterwards-about June-10 per cent is often added, and in some instances, 6 per cent. A few months later they add another amount, in some instances 6 per cent and in others, 10 per cent. That is all in the one year. On top of that you have a \$10 fee for holding a tax sale and interest on the taxes as well. Our idea should be to help these poor fellows out. I say "poor fellows" because anyone who is struggling to make a living on the farm is up against it. Let us try to help them. The section says that if the veteran fails or neglects for one year to pay, the government can step in and pay, but you have to wait a year. The result is he will not pay at the proper time to take advantage of the discount. Then he runs up against 10 per cent plus 6 per cent and a tax sale, and the government comes in and redeems, but it is all piled on the settler. The government practically own the property anyhow. Let the government pay the taxes at the reduced rate, charge it up and collect it if they can; if not, charge it on the land; that is what it comes to in the long run. But do not put the settler in the position that he is going to drag on and incur this tremendous expense, and then the government pay it and charge him. Let the government pay it in the first place at the reduced rate.

Mr. MACKENZIE (Vancouver Centre): Of course this is the section we have had in the old act for many years. I am informed that in actual practice the director will probably step in and advance the payment in order to enable the settler to avoid a tax sale. Mr. NEILL: But he cannot; the government has no authority. It says, if the man fails or neglects to pay for one year the director may pay. He cannot lend him the money until it is in default for a year.

Mr. CRUICKSHANK: The actual procedure in British Columbia is that if a soldier settler does not pay his taxes, the title being in the crown, obviously he cannot be sold out. In order to protect their interest the soldier settlement board pay the taxes. But they do not pay interest or penalty anywhere in British Columbia. If the soldier has to pay, he must pay the penalty and interest. Follow that through; if the soldier cannot pay his taxes this year or the second year, in our province after two years the property automatically goes to tax sale, and to protect their equity the soldier settlement board must pay. But they pay neither penalty nor interest; yet they charge that up to the soldier and he has to redeem his land. Say the taxes are \$100, the penalty \$10 and the interest \$8. He has to pay \$118 to redeem his property. But the soldier settlement board have paid the municipality only \$100.

They have the same thing only to a far greater extent in dyking and ditching taxes in our province. In the reclaimed area 76 per cent of the farmers are in that category They have to pay that; the soldier settlement board does not pay it, but the soldier automatically loses his farm. Obviously the soldier settlement board do not let it go so that they lose the title to the municipal or provincial government, but they pay neither penalty nor interest, whereas the poor soldier in order to save his home has to pay that.

What I suggest is this. If the government or the board are protecting the legal title, which they should do, there is yet no reason why that should be charged to the soldier who pays up. He must keep his payments up, including taxes and principal and interest, to the land settlement board. What I maintain is that the land settlement board do not pay that to the municipal or provincial authorities; they pay the principal but no interest. Therefore I cannot see why when the soldier, in order to maintain his title to his property, must pay the taxes he should pay something that the soldier settlement board have never paid.

Mr. MARSHALL: I have had considerable experience as a municipal secretary in levying and collecting taxes in Alberta, and I cannot agree with the hon. member who has just spoken.

Mr. MacNICOL: He was speaking about British Columbia.

Mr. MARSHALL: I know. It is true that perhaps ten or fifteen years ago there was considerable difficulty experienced by municipal bodies in the collection of taxes from soldier settlers, but after representations were made by municipal organizations an agreement was reached whereby the levying and collection of taxes affecting soldier settlers was greatly improved. I have also had a good deal of experience with soldier settlers and their contracts, and I have yet to find where any concession whatsoever on taxes which have been paid was not passed on to the soldier himself. The arrangements which are now operating are very satisfactory indeed.

I cannot understand how any soldier settler is being charged 10 per cent on taxes. In Alberta we levy penalties twice a year, 4 per cent on December 15 and 4 per cent the following July 15. It works out about $\$_4^4$ per cent for the year. But if the soldier settlement board have been forced to pay any taxes and any discounts are given, those concessions in every instance that I have investigated were passed on to the soldier settler.

Mr. MACKENZIE (Vancouver Centre): That is correct all over Canada.

Mr. MARSHALL: I think that is correct.

Mr. CRUICKSHANK: I believe I was correct in what I was trying to say, and I think I have just as much knowledge in the matter as the hon. member who has just spoken, and certainly more than the minister has in this connection. May I clear the point I was trying to bring out. I am not insinuating that the soldier settlement charge is an extra tax. But I do ask the minister to show me any case in British Columbia where the soldier settlement board paid interest and penalty either on municipal taxes or on ditching and dyking. Of course they did not, and it is nonsense to say they did. I did not insinuate that the soldier settlement board charged that on to the soldier, and I want to make that clear.

The minister is not aware of the situation, and certainly his officials are not, when he tries to tell me that the board paid either interest or penalty on ditching and dyking taxes in British Columbia. I know that is nonsense, and it has never been done in the last twenty years. It has never been paid in connection with municipal taxes. I did not say they charged it up to the veteran.

But let me point out the difference. There is a tremendous difference in the fact that the soldier has to find that penalty and interest. I am sorry that the minister and his adviser have not told me what it amounts to. The penalty and interest amount to

[Mr. MacNicol.]

\$4.57 an acre of tax on dairy farm land. That fact about British Columbia is not advertised, possibly because of modesty. Apparently British Columbia has not advertised the fact that milk is supplied to Vancouver at a price cheaper than to any other city on the north American continent. A tax of \$4.57 an acre is paid on that dairy farm land.

The CHAIRMAN: Order. Section 15 provides that the director may pay such rates, taxes or assessments; all moneys so expended by the director shall become a charge. Therefore it would be irrelevant under that section to refer to what may have taken place in other circumstances.

Mr. CRUICKSHANK: What about the future? I will quote from page 9 of the bill.

The CHAIRMAN: The hon. member has been referring to circumstances which are not covered by the section now before the committee.

Mr. CRUICKSHANK: I am referring to section 15, which states in part:

... until so repaid the amount of such payment shall be added to the sale price of such property or shall become a part of the principal secured by any charge, mortgage or hypothec in favour of the director, as the case may be.

I am now talking about the future. If I am not allowed to talk about the soldier who won the last war, I would talk about the soldier who is winning this war. I am talking about facts which are facts, and which cannot be controverted. I say definitely, with all due deference to you, Mr. Chairman, and speaking as a soldier member of the house, that the soldier settlement board or the federal government do not and never have paid the penalty or interest charge on dyking and ditching in connection with either government or municipal taxation, and that the soldier has had to pay those charges.

Mr. MACKENZIE (Vancouver Centre): That statement is absolutely not in accordance with the facts, as I am advised by the officers of the department. If the director receives any concession whatsoever from the municipal authorities he passes that concession over to the soldier settler.

The suggestion was made by the hon. member for Comox-Alberni that I consider an amendment. Possibly we would meet his objection if we were to strike out the words "for the period of one year" in the first and second lines of section 15. Would that be satisfactory?

Mr. HANSON (York-Sunbury): I should think it would.

4420

Mr. NEILL: It could be adjusted by regulation.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. NEILL: The penalty goes on at midnight, but it could be arranged. The hon. member for Fraser Valley has mentioned something about concessions granted by the municipalities. I do not know about that. I can hardly credit the suggestion that in the event of a default the province will turn round and take it off.

Mr. MACKENZIE (Vancouver Centre): My colleague will move the amendment.

Mr. MULOCK: I move in amendment:

That the words "for the period of one year" be deleted from the first and second lines of section 15.

Mr. HANSON (York-Sunbury): Leaving it entirely in the hands of the director.

Amendment agreed to.

The CHAIRMAN: Shall the section as amended carry?

Mr. CRUICKSHANK: No. If necessary I rise to a point of order. My understanding is the minister said that my statement was absolutely incorrect, and I should like to know if he is challenging what I have said. In other words, he suggests that I am not telling the truth. I make the definite statement that the settler does not get the benefit, and I make the further definite statement that the soldier settlement board does not pay the penalty or the interest on dyking or ditching. The minister said that that was not correct. If I am wrong I will withdraw, and if he is wrong he will have to.

Mr. MACKENZIE (Vancouver Centre): If I were wrong I should be delighted to withdraw. But I am only giving the information I have received from those in charge of the administration of the act. They say that where the director obtains certain concessions from municipal authorities the benefits from those concessions are passed on to soldier settlers. That is the statement I made, and it was made on the information I received. I must trust to those officials who guide me in the matter.

Mr. CRUICKSHANK: I am not satisfied with that at all. I said definitely that the soldier settlement board do not pay penalty or interest.

The CHAIRMAN: Order. We are not now discussing the operations of the soldier settlement board. The clause provides for what 44561-279

the director may do when a veteran fails or neglects to pay taxes. The hon. member has made his statement. The minister has stated the facts according to his information. It would be irrelevant to go on debating a statement of facts extraneous to the section now before us. We must come back to the section before the committee. Shall section 15 as amended carry?

Mr. CRUICKSHANK: I declare it six o'clock.

The CHAIRMAN: We have still one minute before six o'clock. Shall section 15 as amended carry?

Some hon. MEMBERS: Carried.

Mr. CRUICKSHANK: No, I do not agree that it is carried.

The CHAIRMAN: Is the committee ready for the question?

Some hon. MEMBERS: Question.

The CHAIRMAN: Those in favour will say "aye".

Some hon. MEMBERS: Aye.

The CHAIRMAN: Those opposed will say "nay".

Mr. CRUICKSHANK: Nay.

The CHAIRMAN: In my opinion the "ayes" have it, and I declare the section as amended carried.

Section as amended agreed to.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

On section 16-Advisory boards.

Mr. DIEFENBAKER: This bill as drafted is one of far-reaching importance. It will depend for its success upon the selection of the land, of the settlers who are to go on the land and of the personnel who will administer the legislation. However well these selections may be made, there are bound to be defaults. I think this section and the succeeding one could very well be taken together because they cover the results flowing from such defaults. As I read the sections, they place the entire power in the hands of the director.

The CHAIRMAN: Is it the desire of the committee that sections 16 and 17 should be considered together?

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Mr. MACKENZIE (Vancouver Centre): I think the hon. gentleman is quite correct because they are interlocked.

Mr. DIEFENBAKER: I do not think this parliament has been asked under any other statute to confer upon any one person the comprehensive powers which this bill confers upon the director. I am not going to go into the sections except to refer to them in connection with the argument which I wish to advance. Sections 6, 7, 8 and 9 give unlimited powers to the director. Section 3, subsection 1, shows the extent of the power which the director has, in that he is made responsible only to the minister for the administration of the measure. Again, the extent of his powers is shown in section 37, which states:

The director may, with the approval of the governor in council and subject to the provisions of this act, make regulations prescribing:

(a) qualifications necessary in order to entitle veterans to the benefits or assistance or to any particular benefit or assistance under this act.

As the bill stands, the director is supreme, subject to no law or any control known to law. Section 16 provides for the setting up of provincial advisory boards which are to be comprised of three members, the chairman of which shall be a county or district court judge, one member of which shall be nominated by the Canadian Legion and the other member, together with the chairman, to be named by the director. In other words, not only does the director control the operation of the legislation without any control being exercised by the statute, but when there is a default the board that decides whether or not proceedings shall be taken is in turn appointed by the director.

Section 17 shows the extent of the powers given to the director. He is given the right, without any recourse to the courts, without any formal reentry or retaking, to "rescind such agreement, repossess and resell or otherwise deal with the property as authorized by this act." I contend that this is placing too much power in the hands of the director. One of the pronounced trends of recent years has been the establishment of administrative boards, but these boards should as far as is practicable be subject to parliament and subject to control by statute. As this bill is at present drafted, the position is that the director can do what he pleases, refuse whom he will the benefits of the measure, disallow an application, allow an application although a person is not entitled thereto, remove a person from the land without recourse to law and without that individual having the right that the application of the rule of law should accord to him.

[The Chairman.]

I suggest that there should be a provision whereby the advisory boards would be appointed by the governor in council instead of by the director, and that any person settled under the provisions of this bill shall have the right of appeal to the courts of the land. I repeat that I know of no other measure that has been brought before us wherein such absolute powers are placed in the hands of one administrative officer, free and uncontrolled by parliament or by statute. I suggest to the minister that if an appeal to the courts is not to be allowed, an amendment along the lines of the amendment suggested by the Canadian Legion should be brought down. The suggestion of the Canadian Legion was as follows:

The bill should provide, either a section similar to section 69 of the Soldier Settlement Act, or a committee of review to examine all cases where settlers appeal rescission proceedings, this committee of review to be composed of three members, two of whom shall be entirely independent of the Veterans' Land Act administration.

I should like to know the reason why such absolute powers are placed in the hands of the director. I can understand that he must have wide powers to administer the measure, but it is difficult to understand why he whose ruling will be appealed from is permitted to have that appeal heard by a body set up by himself. It is necessary, having regard to the exigencies of war, to appoint administrative boards, controllers and authorities of that kind, but I submit that the necessities of war do not justify parliament legislating such absolute powers to an individual in connection with civil matters after the war is over. Instead of our attitude being the approbation of the placing of such comprehensive powers in the hands of one individual, I think it should be so to legislate as to control the controller to the end that absolute power should not be placed in the hands of one man.

Mr. MACKENZIE (Vancouver Centre): With much of what my hon. friend has said I agree. As a matter of fact we thought in the committee that we had gone even farther than the request of the Canadian Legion. As my hon. friend knows, under the old act rescission first of all took place. It was effected by the director himself, and then there was an appeal afterwards to the district court judge. Under the provisions of this bill, I would not say we are more generous, but I think we are more fair to the settler. Before rescission takes place, this reviewing committee will act. My hon. friend objects to the fact that two of the three members are appointed by the director. If there is any virtue in having these appointments made by the governor in council, I have not the slightest objection in the world to that. We honestly thought in the committee that we were going farther than the request of the Canadian Legion as contained in the memorandum. I consider that this bill which makes provision for the rescission to be reviewed before it actually takes place is far more equitable to the settler than the old provisions where, after the rescission had taken place, he had the right of appeal, and possibly all the expenses of the appeal.

In regard to the point whether the director or the governor in council should make appointments, I have not the slightest objection to an amendment if that provision is troubling anybody in this committee.

Mr. HANSON (York-Sunbury): The hon. member for Lake Centre has made an indictment of the principles underlying the powers of the director in administering this measure. Here is a director not responsible to parliament, responsible only to his minister—and even that responsibility is not stated in very clear terms—with power to spend \$100,000,000 of public money.

The power to deal with the rescission of the contract before the actual event makes that provision an improvement over the one in the old act. But can you imagine any judicial body, with a member appointed by the director himself, set up to review decisions of the director? The appeal should be to a body entirely removed and apart from the director, and he should have nothing to do with it.

Just let us review the whole situation. Here is a director appointed by the governor in council, under section 3, subsection 1. He is responsible, not to parliament, but to a minister, and is an officer who has wider powers, I think, than have ever been given to any peacetime controller in so far as the quantum of public money which he may expend is concerned. He is given greater powers than any of the controllers appointed to-day under the War Measures Act-and the bill now under discussion is a measure which is to operate after peace returns. I do not think very much will be done under this measure in war time. It is a gesture to the soldiers of the country, and the legislation will not become effective until after this war is over. I know that 52,000 soldiers have been discharged from the armed forces, and the minister says that he has already had a considerable number of applications, but this is a rehabilitation measure which will have its greatest effect after the cessation of hostilities, and not now. After the budget has been given effect to, I do not think there is going 44561-2793

to be such a tremendous amount of money available, to be diverted from war taxation, to put this scheme into effect.

But I do suggest to the minister that the position and powers of the director should be fully reviewed before anything is done under this legislation, and that, notwithstanding the consideration which has been given to this bill by the special committee. I am sure they could never have taken into account the tremendous powers that are being vested by this bill in one man. Why, prior to the war, in peace time, we would never have thought of giving one man the powers that are being given the director under this bill. It must be that our judgment is being warped by war conditions, or we would never give the director, whoever he might be, all the powers that it is proposed to give him under this bill. Look at the powers given under sections 7, 8 and 9, and then look at the powers conferred by section 37, the last section referred to by the hon. member for Lake Centre. Under section 37 the director is given powers of legislation which should be reserved for parliament and for parliament alone. Surely there should be greater safeguards. The mere publication of the regulations in the Canada Gazette and the tabling of them within fifteen days after parliament meets is not good enough. That is informing the public after the event. Regulations with respect to certain matters are necessary, of course, for instance regulations as to forms of agreements, notices and other documents essential to the operation of the legislation.

An hon. MEMBER: Also paragraph (a).

Mr. HANSON (York-Sunbury): Oh, no. Paragraph (a) is not procedural, as is paragraph (g) dealing with forms of agreement. That sort of thing in paragraph (g) could properly be the subject matter of regulations made by the director and subject only to the approval of the governor in council. But look at paragraph (a):

(a) Qualifications necessary in order to entitle veterans to the benefits or assistance or to any particular benefit or assistance under this act.

Is parliament going to vacate its functions and say that the director, instead of parliament, shall say who is to have this assistance and who not? I call upon the members of this house to study this bill and the implications of section 37, paragraph (b), for instance, dealing with the manner in which applications for purchase and sale may be made, and so on.

This bill gives altogether too much power to any individual, and I call upon the minister to shear the powers of the director. Here is a man who is going to handle \$100,000,000 of the public money. Parliament should have some authority over him. Who will audit his accounts? How are we to know whether this money has been properly expended or not? What provisions are there in this bill which call for public control of public money? I put that principle to the minister.

Mr. MACKENZIE (Vancouver Centre): The same as there have been for years.

Mr. HANSON (York-Sunbury): Because we have sinned, let us sin some more—that is all that means. There is a principle at stake here, and the longer we submit to the soporific influences of war, the further shall we go in abdicating our functions as a parliament.

. Mr. MACKENZIE (Vancouver Centre): The old act was not passed in war time.

Mr. HANSON (York-Sunbury): I do not know very much about the old act, but we are dealing now with a situation that we have within our jurisdiction, and we should not let it pass out of our jurisdiction until we have anticipated the evils that may occur. The fact that something was done ten or twenty years ago is no reason why we should repeat the error.

The principle of this bill is good; the objective of the bill is good, but the methods are reprehensible because they violate the principles of responsible government. We are vacating our functions. My friend here, the hon. member for Lake Centre, has on his desk a file almost six inches thick of orders in council which override acts of parliament. How many people in this house or in the country know how much legislation that was deliberately passed by this House of Commons in days gone by has now been set aside under the authority and powers of the War Measures Act without the public knowing anything about it? How can there be any stability to law in this country or certainty as to what the law of this country is when this power is taken and used, sometimes necessarily but, I venture to suggest, many times unnecessarily? Many times there were passed while this house was in session orders in council about which parliament should have been consulted. This is a deliberate affront to the parliament of Canada, and would not be tolerated for one minute by this House of Commons if we had a sense of our responsibility as representatives of the people. Let us turn back, if we can. These powers and jurisdictions and authority rest, under the constitution of our country, in the

[Mr. R. B. Hanson.]

parliament of Canada, and not in any committee of the cabinet. There are members on both sides of the house who must be seized of the danger of such a situation. What does it mean? It means that not only are we thrown into a totalitarian state but that we are proposing to perpetuate it by passing an act of parliament such as this which may go on for fifty years. It is a complete abdication of the functions of parliament to allow this director to legislate in matters respecting the expenditure of public money. Why, if a Conservative government were to offer a suggestion like that—

Mr. MACKENZIE (Vancouver Centre): They did.

Mr. HANSON (York-Sunbury): —my hon. friend the Minister of Pensions and National Health would raise the roof in denunciation of any such principle.

Mr. MACKENZIE (Vancouver Centre): This is their phraseology.

Mr. HANSON (York-Sunbury): Well, that may be true; all right. I accept the minister's statement.

Mr. MACKENZIE (Vancouver Centre): You had better.

Mr. HANSON (York-Sunbury): Well, if that was wrong, it does not make this right. The Soldier Settlement Act was amended and amended and amended, and I warrant you that the original Soldier Settlement Act did not in its inception give anybody as wide powers as this.

Mr. MACKENZIE (Vancouver Centre): Ten times wider. There was no appeal at all, and no judge.

Mr. HANSON (York-Sunbury): Well, that is all right; the minister has just one little leg to stand on—

Mr. MACKENZIE (Vancouver Centre): Two or three legs.

Mr. HANSON (York-Sunbury): —and that is, he is going to the advisory board before the event of rescission rather than after. I am not so much concerned about that one detail or any detail as with the general purview and principle of this bill. I object, and the people of Canada if they know will object, to the tremendous powers which are going to be given to any one individual without any control over him. What financial control will there be? I put this question to the committee: what control will there be

with respect to the purchase of properties and the disposition of applications for properties?

An hon. MEMBER: Political control.

Mr. HANSON (York-Sunbury): I am not saying that. I am raising a question to stimulate interest in this matter, and I think the hon. member for Lake Centre has done a great service by raising it here. I intimated the possibilities under this bill, a little while ago when we were on section 5 dealing with the corporate powers of the director, and the power he has to appoint all the temporary employees of this board. I suggest to this committee that that is a violation of every principle which should obtain with respect to the expenditure and control of public money, and on that principle the measure cannot be defended. I have not anything more to say at this time, but I believe the minister should review that whole position.

Mr. ROSS (Souris): I wish to say that as a member of the committee I did not understand the meaning of this section as it now reads. I am not a lawyer, and I never. for one moment thought anybody could select the judge who was to make the ruling; I imagined you had to ask the court to appoint the judge. I remember a discussion on this matter to the effect that the legion should appoint a representative and that the chairman was to be the county court judge. I assumed that the court would make that appointment. But subsection 1 of section 16 reads:

There shall be a provincial advisory board in each province appointed by the governor in council, comprised of three members, the chair-man of which shall be a county or district court judge of the province in which such board operates, one member to be appointed by the Canadian Legion and one other member who, together with the chairman, will be named by the director. the director.

That, to me, is almost unbelievable. I never thought of the director appointing the district court judge along with another member. I thought that either the director or the governor in council would appoint one member and that the court would be responsible for the appointment of the judge, the chairman. Certainly I would never approve that section as it stands.

Mr. MACDONALD (Halifax): I wish to say a word about this, because there was discussion in the committee on this very section, and it was deemed advisable by every member to have a county court judge appointed as chairman. The question then came up, which county court judge should be

appointed; would it be safe to leave the appointment to the whim of any organization such as the legion?

Mr. MacNICOL: Or the chief justice?

Mr. MACDONALD (Halifax): Or should we name the judge now? It was the opinion of the committee that those who were in charge of administering a measure such as this would know the type of judge that should be appointed to deal with questions of this kind. In every province, as is well known, there are certain judges who know something about rural conditions and about the problems that confront soldiers and are familiar with acts such as the Soldier Settlement Act; on the other hand there are county court judges in all the provinces who would not be suitable or proper appointees for the hearing of appeals from the director in cases of this kind. The committeee arrived at the conclusion that the proper person would be a judge, who would be selected after people concerned with the welfare of soldiers in the various prov-inces had been consulted. I see nothing at all unreasonable about that.

Mr. HANSON (York-Sunbury): Except that he is named by the director.

Mr. MACDONALD (Halifax): The director is more closely concerned with the direct interests of the soldiers than a body in a particular province. He is the man who has the welfare of the soldiers at heart, and as I have said, if you are to have a county court judge, it is desirable to have one who would be familiar with the regulations and provisions of this legislation and know something of the cases with which he would have to deal. If you left the fate of the settler to the decision of any county court judge; if you said that any such judge might exercise jurisdiction in the particular county in which the lands in question were located, in one part of the province a soldier settler might get one sort of treatment and in another part he might have an entirely different kind of treatment meted out by a different judge with wholly different views.

Mr. HANSON (York-Sunbury): But that is not what is contemplated here. There is contemplated here a provincial advisory boardit says so-in each province, and one chairman out of the province, and he is to act throughout as the provincial chairman of the board. Why not name him through the governor in council? They are responsible.

Mr. MACDONALD (Halifax): They name him, but they take the recommendation of the director; they would approve it.

Mr. MacNICOL: How would the director know who the best judge was?

Mr. MACDONALD (Halifax): He would be a judge appointed and holding office in the province. The director only suggests his name to the governor in council.

Mr. HANSON (York-Sunbury): It does not say that. It says he shall name him.

Mr. MACDONALD (Halifax): Yes, but the appointment shall be by the governor in council. They can dismiss the director if necessary, or they can suggest some other appointee. I think in the interest of the soldiers' property some provision such as this is advisable, rather than to allow one particular settler in one part of the province to be dealt with by one judge, and another settler in an adjoining district to be dealt with by another judge actuated by different principles. You would have the same question arise as has been brought up here in connection with appeals under national war services.

Mr. WRIGHT: In the discussion in committee of this particular clause I think it was generally agreed that it would be much more satisfactory to have one judge act for a whole province rather than have each county court judge act separately. But I think we owe thanks to the hon. member for Lake Centre for having brought out this point. Under this bill a tremendous power is vested in the director; in fact you might term him a dictator instead of a director. He could become a dictator if he were a certain type of person, and I think we should have some restrictive clauses in the bill. Under this section the governor in council should appoint the judge and one member, and the legion should have the appointment of the other member. I am not familiar enough with the law to know what financial checks we as a parliament have upon the director. The management of the Canadian National Railways have to report to the committee on railways every year, and the accounts are checked by that committee. I think under this measure that the director should report to some committee of the house each year, and the accounts could then be checked.

Subsection 2 of section 16 provides that:

The director . . . shall, upon due notice to the veteran concerned, refer the question of rescission in any case to the advisory board of the province in which the land concerned is situated, for its advice as to whether the default in performance of the agreement warrants the director in exercising the powers given him. . . .

After the board has decided that the circumstances do not warrant the director in making [Mr. W. C. MacDonald.] the rescission, can the director still make it? There is nothing here to prevent his doing so. The finding of the board should be final. The director should not be given power to override a recommendation of the board.

Mr. MACKENZIE (Vancouver Centre): Of course, after this machinery has been set up, the director could not rescind any decision of the board.

With regard to the rather unexpected tirade of the leader of the opposition, I fail to see the connection between his fulminations against orders in council having the effect of overriding statutes, and the section which is before us. The point made by the hon. member for Lake Centre (Mr. Diefenbaker) is a good one. If it would satisfy the committee to insert the words "governor in council" in lieu of the word "director", I do not see any objection. They would probably take the advice of the director in any event, if they had confidence in him. Therefore there is no objection to amending the section in that regard. But why summon up all these sinister, potential inequities which the leader of the opposition seems to conjure up in connection with what was a constructive proposal adopted by a non-partisan committee of the house? I cannot understand that at all.

Mr. CASTLEDEN: What is the life of the advisory board to be set up?

Mr. MACKENZIE (Vancouver Centre): They would be appointed by the governor in council and would be there until they resigned or were dismissed for cause or for any similar reason. They would normally function as any ordinary boards function, during pleasure. They would probably have only limited expense accounts, and it would not be highly remunerative—the same as boards of review under the Farmers' Creditors Arrangement Act.

Mr. CASTLEDEN: With regard to the Canadian Legion, it says that one member is to be nominated by the legion. Is that the provincial command?

Mr. MACKENZIE (Vancouver Centre): It would be by the national organization in Ottawa, I should think, in cooperation and consultation with the provincial command.

Mr. CRUICKSHANK: I presume this is correct, and I want to have it straight. I am quoting from volume 2, H-M chapter 116-199, pp. 1559-3092. Not having a legal mind I do not know much about this. I made a definite statement and was directly contradicted by the minister, and I wish to be corrected if I am wrong. If I was wrong I am prepared to withdraw what I said, and I expect the minister to do the same if he is wrong. I presume that this statute is correct—it came from the library—and I am quoting chapter 119, page 3019. I am sorry to take up the time of the committee, but the minister and I were in direct contradiction on the facts and one of us is wrong. We cannot both be wrong, and I am prepared to withdraw if I am. As I say, I expect him to do the same.

The CHAIRMAN: The point raised by the hon. member is out of order. We are discussing Bill No. 65, to assist war veterans to settle upon the land, and any reference to the Soldier Settlement Act is irrelevant.

Mr. CRUICKSHANK: I am not speaking at all about the Soldier Settlement Act Under section 16—

The CHAIRMAN: What is chapter 119 to which the hon. gentleman refers?

Mr. CRUICKSHANK: I am trying to read it.

The CHAIRMAN: What is the title of the act to which the hon. gentleman has referred?

Mr. CRUICKSHANK: It says, advisory board-

The CHAIRMAN: What is the title of chapter 119 to which the hon. gentleman has referred?

Mr. CRUICKSHANK: Revised statutes of British Columbia—

The CHAIRMAN: I declare reference to another statute absolutely out of order.

Mr. CRUICKSHANK: Might I ask the minister a question-

The CHAIRMAN: Order. The discussion is on sections 16 and 17-

Mr. CRUICKSHANK: May I ask the minister a question under section 16?

Mr. MACKENZIE (Vancouver Centre): Would it meet the objections of my hon. friends if we substituted "governor in council" for "director"?

Mr. HANSON (York-Sunbury): You will have to change the phraseology a little bit.

Mr. ROSS (Souris): In subsection 1 of section 16 it is provided that one member is to be nominated by the Canadian Legion. Would you put "named" instead of "nominated" there?

Mr. MACKENZIE (Vancouver Centre): The effect is the same.

Mr. HANSON (York-Sunbury): The amendment should make it clear that the governor in

council appoints the chairman and one member. If that could be worked out, it would be all right.

Mr. MACKENZIE (Vancouver Centre): Will the hon. member allow me to have the amendment moved now?

Mr. HANSON (York-Sunbury): I think you will have to have it properly drafted first. Under subsection 2 of section 16 all that the director does with respect to this advisory board is to go to them in a given case, before taking any action or proceedings under subsection 1 of section 16, and after due notice, and "refer the question of rescission to the advisory board of the province in which the land concerned is situated, for its advice as to whether the default in performance of the agreement warrants the director in exercising the powers given him under the said subsection or as to the remedial conditions to be fulfilled by the veteran, in default of compliance with which rescission of the government may ensue." There is nothing that says that the advice shall be binding on the director, and that is a weakness in the section. It ought to be taken care of.

Mr. MACKENZIE (Vancouver Centre): That was the intention of the committee.

Mr. HANSON (York-Sunbury): But it has not that effect in law, I am satisfied about that.

Mr. MACDONALD (Halifax): Strike out "who, together with the chairman".

Mr. MACKENZIE (Vancouver Centre): I would ask my colleague to move that we delete all the words in lines 15 and 16 of subsection 1 from the word "who". In other words, delete the words "who, together with the chairman, shall be named by the director."

Mr. GARDINER: I so move.

Amendment agreed to.

Mr. HANSON (York-Sunbury): There should be some provision that the advice shall be binding on the director, because this does not go that length.

Mr. MACKENZIE (Vancouver Centre): It was the intention of the committee to do so.

Mr. HANSON (York-Sunbury): But I am sure that in law it does not go so far. He can disregard the advice. I do not say he would. This is only an advisory committee. He refers the matter to them only for advice. There are no operative words that make it compulsory to take the advice. Mr. MACKENZIE (Vancouver Centre): I do not think there is any question that the advice of the committee would be completely binding.

Mr. HANSON (York-Sunbury): Not in law. I suggest that it is permissive, not mandatory, the way it is now.

Mr. WRIGHT: With regard to the question I asked about the director reporting to a committee of the house each year to review the financial set-up, the director is going to spend in the first years under this bill millions of dollars of public funds. There should be some accounting to a committee of the house.

Mr. MACKENZIE (Vancouver Centre): I entirely agree. In the first place there is accounting to the treasury officers, and I think the suggestion that there should be a report and, if necessary, a committee of this house to review in every year, is a good one.

Mr. HANSON (York-Sunbury): What about the financial control?

Mr. MACKENZIE (Vancouver Centre): I understand the system at present is that there is a complete audit by treasury officers.

Mr. HANSON (York-Sunbury): But that is not parliamentary control. As this bill stands there is not a dollar that can be legally spent. There must be an appropriation. Where there is an appropriation there must be a report back to parliament. Treasury control is not good enough. There should be parliamentary control. The minister should accede to that principle.

Mr. MACKENZIE (Vancouver Centre): Does my hon. friend suggest a report back to the house within a certain number of days?

Mr. HANSON (York-Sunbury): I should like to think that over.

Mr. CASTLEDEN: The explanatory note relating to section 7 says:

This section is intended to be broad enough to enable the director—by estimates approved by the minister and passed by parliament—

If that were in the bill, not merely in an explanatory note, it might clear up that difficulty.

Mr. HANSON (York-Sunbury): That is showing the intention, but that is not the law.

Mr. MACKENZIE (Vancouver Centre): It is elementary that the estimate must be passed by parliament. What I think my hon. friend means is a special report to parliament within, say fifteen days of parliament convening, in which case parliament has an opportunity of reviewing all expenditure, by discussion either

[Mr R. B. Hanson.]

in committee of ways and means or in a special committee of the house, which I think is proper and highly desirable.

Mr. MacNICOL: Will the Chairman read the amendment?

The CHAIRMAN: Mr. Gardiner has moved that the words in lines 15 and 16 at the end of paragraph 1 of section 16, reading "and one other member who, together with the Chairman, shall be named by the director" be deleted.

Mr. NEILL: Then the board will consist of only two people.

Mr. MACKENZIE (Vancouver Centre): The Minister of Justice recommends that we leave out all the words after "Canadian Legion". It has the same effect. It will be three members in any case.

Mr. CRUICKSHANK: With reference to subsection 2, which states that "default in performance of the agreement warrants the director in exercising the powers given him under the said subsection or as to the remedial conditions to be fulfilled by the veteran, in default of compliance with which rescission of the agreement may ensue", can the government collect interest and penalty on dyking and drainage tax and the director authorize that but not remit it in the event of collection to the municipality concerned? The reason why I ask this-I made it clear before, I will put it in another way-is this. Has it been the practice of the department in the past to refuse to pay any interest or penalty to the municipality concerned?

Mr. MACKENZIE (Vancouver Centre): I rise to a point of order. The question of the hon. gentleman has nothing to do with the contents of subsection 2.

Mr. CRUICKSHANK: It states, line 23:

. . . the director is exercising the power given him under the said subsection or as to the remedial conditions to be fulfilled by the veteran, in default of compliance with which rescission of the agreement may ensue.

The rescission of the agreement may come about by default of payment of penalty or interest on dyking or ditching tax. I think I am quite in order.

The CHAIRMAN: The hon. gentleman is out of order. The section provides for a procedure to be followed by the director under certain circumstances. It does not deal with the powers of the director, but simply the procedure which the director must follow. The remarks of the hon. member are therefore out of order.

Mr. CASTLEDEN: Subsection 2 merely says that the director, before taking any action, shall refer the question of rescission in any case to the advisory board for its advice. It does not state anywhere that he shall act on the advice of the board, and it leaves the director the chief high commissioner, without any control over him. I suggest that there should be some provision to make it mandatory upon the director to take the advice of the board. Otherwise the board is of no use.

Mr. MACKENZIE (Vancouver Centre): That point was discussed some time ago, and on behalf of the government I gave my personal assurance that in every case the director would act upon such advice. If this is not placed in a mandatory fashion in the statute, it certainly will be impressed upon the director that he shall act on the advice of the board.

Mr. CASTLEDEN: May we have the assurance that the advice of the board will be made public, so that we may find out whether or not such advice will be acted upon, or will this be in camera?

Mr. MACKENZIE (Vancouver Centre): I would not say that at the present time. There might be some difficulty in making such matters public, because they might involve the disclosure of the private affairs of a soldier on land. That is one difficulty which occurs to me offhand. However, I believe I am acting reasonably when I give my hon. friend the assurance he has been given.

Mr. DIEFENBAKER: The word "advice" seems to denote an opinion without the exercise of any compulsion upon the director, regardless of what that opinion may be. Would not the substitution of the word "consent" or "decision" for the word "advice" cover the situation?

Mr. MACKENZIE (Vancouver Centre): The word "consent" would be all right. Would the hon. member like to have it that way?

Mr. DIEFENBAKER: Yes, I think so.

Mr. MACKENZIE (Vancouver Centre): Then I shall leave it to one of my colleagues to move the substitution of words.

Mr. GARDINER: I move:

That the word "advice" in line 21, section 16 (2) be deleted and the word "consent" substituted therefor.

Amendment agreed to.

Section as amended agreed to 44561-280

On section 17-Director may rescind agreement in case of default.

Mr. CASTLEDEN: Section 17 states:

If any instalment mentioned in any agreepaid or if the veteran makes any other default paid or if the veteral makes any other default in performance of the terms of such agreement, the director may, subject to the provisions of section 16, without any formal reentry or retaking and without resort to proceedings in equity or at law, rescind such agreement, re-possess and resell or otherwise deal with the property as authorized by this act.

Terms of agreement of sale usually call for annual payments. I am sure the present director of the soldier settlement board knows that for a number of years it has been absolutely impossible for men operating under the old act to make payments each year. In many years incomes have not been sufficient to meet interest payments. This section makes no provision for looking after the equity of the veteran. His case is brought forward, and if he fails in his payments in any one year the director has complete power to go to the board, ask for a rescission and close the man out. There is some further provision in subsection 2 of section 19 with regard to payments, but the provision now under discussion seems a very hard one indeed. Experience of the past would surely suggest at least that some clause should be inserted to soften the blow, and there should be some consideration of the fact that in some years there is not sufficient return from agricultural operations under the soldier settlement scheme to make it possible for a man to make his payment. That is the situation, unless, of course, a man is receiving a pension from the government for the loss of a limb. In such event he would be able to make payment out of his pension. Then perhaps he could take the money from his wife's separation allowance, if he has enlisted in another war.

I suggest that there should be some provision in the section to take care of those cases where incomes are not sufficient. The board should have the power to take official notice of the fact that an income has not been sufficient to warrant the making of any payment. It would seem wise under the section to cancel any interest payments in those years. The farmer's labour goes for nothing in a year in which he is dried out, frozen out or rusted out. There are many things which can happen to a crop; and to compel a man to live up to the letter of the law and make his payments every year under such conditions is unfair and unjust. That is one of the factors which has caused the ruin of the old scheme.

REVISED EDITION

Mr. CRUICKSHANK: When section 17 makes reference to "the provisions of section 16" I presume it is referring to the county court judge who is to act as chairman of a provincial advisory board. Appearance must be made before such board before any final decision is made?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. CRUICKSHANK: I presume the effect would be the same in connection with dyking or ditching taxes?

The CHAIRMAN: Carried?

Mr. CRUICKSHANK: No; I asked the minister a question.

The CHAIRMAN: I shall have to repeat the ruling that I have already given. This section provides for the procedure to be followed under certain circumstances. The question of penalty discussed earlier is irrelevant under this section. Shall section 17 carry?

Section agreed to.

Section 18 agreed to.

On section 19—Surplus to be paid to veteran.

Mr. CRUICKSHANK: I find in this section the expression "if and when such property is resold." I presume this concerns new land sales, and has nothing to do with the old scheme.

Mr. MACKENZIE (Vancouver Centre): Correct.

Mr. CRUICKSHANK: It states:

If and when such property is resold by the director any surplus remains in excess of the balance of cost price outstanding and interest at $3\frac{1}{2}$ per centum and expenses of taking over and reselling the property, the director shall pay such surplus to the veteran.

In the event of the interest rate being reduced, who will get the benefit of such reduction? Second, in the event of any provincial or municipal legislation which will carry interest or penalties, will that be credited to the soldier?

Mr. MACKENZIE (Vancouver Centre): The answer to the first question is that no one can tell at the present time. It will depend upon the policy adopted by parliament in days to come. With regard to the second question I have said about twenty times this afternoon and evening that the matter is governed by provincial legislation and has nothing to do with the provision in section 19. [Mr. Castleden.] Mr. CASTLEDEN: May I point out what can happen under section 19, where a property is sold out. We will assume that the soldier's debt amounts to about \$2,400. If over a period of years he has paid off \$1,500 or \$1,600, and if the property is sold for \$1,200, the farmer receives no payment for the equity he has acquired over that term of years. That is the condition, because the section states:

If and when such property is resold by the director any surplus remains in excess of the balance of cost price outstanding and interest at $3\frac{1}{2}$ per centum and expenses of taking over and reselling the property, the director shall pay such surplus to the veteran.

It seems to me only fair and just that if a veteran has paid \$1,600 out of a debt of \$2,400, and the property is sold, his equity to the extent of two-thirds of whatever the selling price may be should be recognized. This section appears to look upon the matter as a hard business deal into which the government has put money it is bound to get out again. The equity of the veteran is not recognized at all, and in my opinion this is unjust.

Mr. MACKENZIE (Vancouver Centre): My hon, friend is entirely wrong. The settler undertakes to pay only two-thirds of the cost under this most generous legislation, and there will be no right to anyone to have the complete cost refunded.

Mr. CASTLEDEN: I did not wish the complete cost. What is the maximum total to which any veteran can be indebted to the board?

Mr. MACKENZIE (Vancouver Centre): It is \$4,800.

Section agreed to.

Section 20 and 21 agreed to.

On section 22-Conditions for sale.

Mr. MacNICOL: This section reads:

The director may sell any land which is at his disposal for sale,

(a) as a site for a dairy factory, cheese factory, fruit preserving factory, or creamery, or for any educational, religious or charitable purpose, or for any other purpose in the public interest.

What is the full import of this section? Will such land be sold by public tender or by public auction?

Mr. MACKENZIE (Vancouver Centre): I am told that offers to purchase are being made continuously to the officials in charge of the administration, and this section is for purely illustrative purposes. There is nothing limiting in the phraseology of the section, but the land could be disposed of for the reasons mentioned.

With regard to the second point raised by my hon. friend, these things are done by negotiation between the officials of the board and the parties in question.

Mr. MacNICOL: If the land is to be sold would it not be just and fair to advertise it by block number or description so that anyone might tender for its purchase? Why should the director be allowed to dispose of it?

Mr. MACKENZIE (Vancouver Centre): I am told that any land that reverts to the department is always advertised for tender before it is sold.

Section agreed to.

On section 23—To whom loans may not be made.

Mr. PERLEY: Is there not discrimination against the returned man of the last war in this section? If he is in the army now or has re-enlisted, should not some consideration be given to him so that he can adjust his present debt and come in under this scheme?

Mr. MACKENZIE (Vancouver Centre): I am sure my hon. friend has been too busy to follow the proceedings of the special com-That committee decided to keep mittee. the two pieces of legislation entirely separate. My hon, friend may recall that the first terms of reference authorized by this house dealt only with this bill now before us for consideration. The question mentioned by my hon. friend came up for discussion before the special committee, and we came back and asked this house for additional terms of reference in order to discuss the special problem of old settlers under the Soldier Settlement Act. We received those powers. Three or four reports were made by the committee, the first reporting this bill as amended, the second reporting on certain other considerations affecting some of the provisions of this bill, and the third making certain recom-mendations with reference to the amelioration of conditions of settlers under the Soldier Settlement Act. We must keep the two completely distinct and separate. The report of the committee with regard to the old settlers is now before this house and will be before the government for such action as it is deemed wise to take.

Mr. PERLEY: According to this bill it is not being considered at all?

Mr. MACKENZIE (Vancouver Centre): No.

44561-2801

Veterans' Land Act

Mr. NEILL: The minister rather contradicts himself. He says that the two pieces of legislation are to be kept separate, but section 23 provides that there are to be no dealings under this bill with anyone who is indebted under the Soldier Settlement Act. That is in direct contradiction to the suggestion that we must keep the two bills entirely separate. However, that is a small detail. Section 19 of this bill provides that where certain circumstances exist, where a settler can put up a hard-luck story, can refer to acts of God and misfortunes and so on, the director may refund his initial down payment in whole or in part. I was going to compliment the government upon that section because it is most generous. A settler starts out with the payment of 10 per cent. Then the government finances all the rest of it, takes all the risk, and if the settler cannot make it stick, they will give him back his original money. Nothing could be more liberal than that.

However, that having been done in connection with men who would come under this new legislation, it seems to be rather harsh to enact section 23 which will prevent settlers under the Soldier Settlement Act from qualifying under this bill. This new legislation provides that a man cannot be charged more than onethird of the cost and the interest rate is 31 per cent, whereas the old settlers had to struggle along and pay 5 per cent, at the beginning at least. In spite of various loan reductions many are still unable to make it stick. Conditions were very hard, stock was selling at three times its economic value, and they were handicapped in every way. Why not give these men who have suffered misfortunes similar to those detailed in section 19 another chance? A man may owe the government \$150 on the old deal, but many of us who are in business have given a man credit although he owed an old bill. We wanted to give him a fresh start. Why not give the man who has gone to the front again, or even if he has not, another chance? Why should an old debt he held against him? You are going to make it easy for the men who come under this bill, so I think in all fairness you ought to treat the others the same.

Mr. MACKENZIE (Vancouver Centre): May I ask my hon. friend if he has read the recommendations of the special committee in connection with the old soldier settler. If an old soldier settler wishes to surrender his security, he will be eligible for the benefits of this legislation, but the two systems of loans must be kept entirely separate. Comprehensive recommendations have been made by a committee of this house which have not yet been acted upon. We want to keep the two things entirely separate.

Mr. NEILL: Section 23 will stop that.

Mr. MACKENZIE (Vancouver Centre): No.

Mr. PERLEY: Surely a man who is overseas should be able to come under this legislation if he wishes.

Mr. MACKENZIE (Vancouver Centre): He can come under it, but he would first have to surrender his security. It is necessary to keep them separate.

Mr. NEILL: That would be like my saying to Tom Smith, "I cannot lend you any money because you owe Jones some money." Through no fault of his own, because of misfortune, a man may have fallen by the wayside, and he ends up by owing the government a sum of money, large or small. There is probably no chance of recovering that, and the government knows it. That man enlists and goes overseas, and when he comes home I think he should be treated on the same basis as the other man who went overseas for the first time last year. The minister says that the two are separate, but section 23 says that no advance shall be made to anyone under this measure if he is indebted under the old Soldier Settlement Act.

Mr. MACKENZIE (Vancouver Centre): If he gives up his security under the old act he would be eligible under this measure if he serves in the present war.

Mr. ROSS (Souris): I do not think there should be any trouble over this, because that matter was discussed by the committee and recommendations were made. There is no reason why the man referred to by the hon. member for Qu'Appelle (Mr. Perley) could not adjust his affairs in order to bring himself under this bill.

Section agreed to.

Section 24 agreed to.

On section 25—If immediate relative is occupant and vendor.

Mr. DIEFENBAKER: This section goes a long way. It reads:

The director may decline to sell land to a veteran whose parents or other immediate relative is the occupant and vendor of the land to the director and is not incapacitated by reason of age or other disability or if for any other reason the director considers such transaction not in the public interest.

To that there can be no objection, but the latter portion of the section, I submit, again places the director in a position where he

[Mr. Ian A. Mackenzie.]

could discriminate if he chose. It is just that sort of thing that should be provided against in the statute, but the section says:

. . . or if for any other reason the director considers such transaction not in the public interest.

That is going too far. It is placing the director in the position of being able to decline to sell land to a veteran for the reason given in the first part of the section, and then it goes on to say "or if for any other reason" the director considers it not in the public interest. I suggest that the minister give consideration to the deletion of the words beginning with the word "or" in line 21.

Mr. MACKENZIE (Vancouver Centre): If we did that it would deprive the treasury of all protection, but if my hon. friend wants to limit the powers of the director we could insert the words "with the consent of the governor in council." To strike out the words beginning with "or" in line 21 would be opening it up rather widely. If my hon. friend thinks the director is being given too much power, I shall be very glad to amend the section by inserting the words "with the consent of the governor in council", or "with the approval of the advisory committee". Would that be more satisfactory?

Mr. GARDINER: I move, Mr. Chairman, that the words "with the approval of the advisory committee" be inserted in line 22 after the word "director."

The CHAIRMAN: The section as proposed to be amended would then read:

The director may decline to sell land to a veteran whose parents or other immediate relative is the occupant and vendor of the land to the director and is not incapacitated by reason of age or other disability or if for any other reason the director with the approval of the advisory committee considers such transaction not in the public interest.

Mr. NEILL: It does not make very good grammar the way it reads now. The words "with the approval of the advisory committee" should be inserted earlier in the section so that it would read: "or if the director with the approval of the advisory committee" and so forth.

Mr. MACKENZIE (Vancouver Centre): I think it is all right. It would read "or if for any other reason the director with the approval of the advisory committee considers" and so forth.

Mr. REID: Does this mean that if a man on the land wants to sell it to his boy, and the director considers it inadvisable, he would have to secure an order in council before he could refuse?

Mr. MACKENZIE (Vancouver Centre): Under the old act there were many abuses which this is intended to correct. My hon. friend the member for Lake Centre took the objection that the director was being vested with too wide powers. We are trying to correct that, and I think we have corrected it satisfactorily.

Amendment agreed to.

Section as amended agreed to.

Section 26 agreed to.

On section 27-Wife or husband of purchaser not entitled to dower or curtesy.

Mr. MacNICOL: What is the significance of the words "by the curtesy of England"?

Mr. MACKENZIE (Vancouver Centre): I anticipated that the hon. member for Davenport would ask that question and I have a memorandum on it as follows:

Where a man marries a woman seised of land in fee-simple or fee-tail, and has by her issue born alive capable of inheriting the land as heir to her, notwithstanding the issue may after-wards die, yet if the husband survives the wife he shall hold the land during his life. Coke explains that "he is called tenant by the curtesie of Pachad because this is used in no other of England, because this is used in no other realme but in England onely". If land is given to a woman and the heirs male of her body, and she marries, and has issue a daughter and dies, the husband is not tenant by the curtesy, because the daughter by no possibility could inherit her mother's estate in the land.

Where a married woman is entitled to an equitable estate of inheritance to her separate use and does not dispose of it by deed or will, the husband is entitled to equitable curtesy.

By the custom of gavelkind a man may be tenant by the curtesy without having any issue. And by the special custom of some manors the widower of a deceased female copyholder is entitled to a customary curtesy.

Copyhold enfranchised under the Copyhold Act, 1894, is, except in the case of a husband married before the enfranchisement, subject only to such curtesy as applies to freeholds (section 21).

Under the Settled Land Act, 1882, section 58 (1) (viii), a tenant by the curtesy has the power of a tenant for life.

I trust that makes it clear to my hon. friend.

Mr. PERLEY: Why did the minister anticipate that the hon. member for Davenport would be the only one who would ask that question?

Mr. MacNICOL: The minister knew that the member for Davenport would be on the job.

Mr. MACKENZIE (Vancouver Centre): Yes, exactly.

Mr. NEILL: Was that not abolished long ago-dower or curtesy? It surely does not apply to Canada?

Mr. MACKENZIE (Vancouver Centre): I am advised that this section is necessary.

Mr. ROSS (Calgary East): It is doubtful whether this parliament has the right to enact that no wife of a veteran shall be entitled to dower. Is that not a provincial matter? Has the minister considered that point?

Mr. MACKENZIE (Vancouver Centre): Frankly, no, I have not. I have been advised by the legal officers guiding the committee, but before the third reading I shall be very glad to look up the point raised by my hon. friend.

Mr. STIRLING: Must "curtesy" be spelled in that way?

Mr. MACKENZIE (Vancouver Centre): It is spelled both ways in the legal dictionaries.

Section agreed to.

Sections 28 to 30 inclusive agreed to.

On section 31-Persons may be appointed to hold inquiries.

Mr. DIEFENBAKER: This is a rather wide power to give to the director, to hold inquiries under the Inquiries Act. That power should be vested only in the governor in council.

Mr. MACKENZIE (Vancouver Centre): If my hon, friend would like to have the words "governor in council" substituted for "director" in the first line of the section, I am agreeable.

Mr. GARDINER: I move accordingly.

Amendment agreed to.

Section as amended agreed to.

Sections 32 and 33 agreed to.

On section 34-Advisory committees.

Mr. PERLEY: This is a very important section providing that the governor in council may appoint regional or advisory committees. I would suggest that a practical farmer should be appointed to these committees. It is important that there shall be some practical advice with respect to the operation of this section. Some practical farmer should be on the committee to advise as to the selection of land, the qualifications of the settler and so on.

Mr. MACKENZIE (Vancouver Centre): I have no objection, if that appellation has any particular significance. If my hon. friend wishes an assurance that this will be done, I shall be glad to give that undertaking, but I doubt whether the term "practical farmer" has any significance.

Mr. PERLEY: It is to make sure that there is someone with practical experience on that committee to advise on the matters I have mentioned.

Mr. MACKENZIE (Vancouver Centre): The appointment is left to the governor in council, and I think my hon. friend may accept my assurance and also that of my colleague who is in charge of the administration of the bill, that that will be done. But from the point of view of legal draftsmanship it would be impracticable to insert it in the phraseology.

Mr. ROSS (Souris): Quite a little has been said about the type of land that should be settled on, and in discussing this matter this morning, as I also did in committee, I believe the minister and his adviser agree that probably there should be appointed a soils expert. The soils experts of the universities of the prairie provinces know a good deal about farming, and they have analysed the soils of their respective provinces. I also suggested as a suitable representative someone from the unions of municipalities of the provinces. I believe that an appointee of these bodies would also be a practical farmer. One member also should be appointed by the provincial command of the Canadian Legion. I am in accord with the suggestion of the hon. member for Qu'Appelle and other hon. members that, if possible, practical farmers should be appointed on this committee:

Mr. MACKENZIE (Vancouver Centre): Which committee?

Mr. ROSS (Souris): The advisory committee under section 34. I have just offered three suggestions, and I believe that if the advisory committee included a practical farmer nominated by the federation of agriculture it would be all to the good, and would increase public confidence.

Mr. MACKENZIE (Vancouver Centre): I still think, with all respect to my hon. friend, that we cannot define "practical farmer" in a statute. I think he can accept my assurance that the proposal will be followed out in practice.

Mr. ROSS (Souris): I am not asking that that be included in the bill, but would ask that it be kept in mind in appointing the committees.

[Mr. Ian A. Mackenzie.]

Mr. DIEFENBAKER: Section 34, line 6, after providing for the appointment of the regional committees, says:

. . . the director with the approval of the governor in council, may make regulations prescribing the number of members and the composition of each committee.

What is the meaning of the words "the composition of each committee"? What is the significance of those words?

Mr. MACKENZIE (Vancouver Centre): I imagine it would mean exactly what has been discussed a minute ago—one who would represent practical farmers, one the legion, and another some active public interest.

Mr. WRIGHT: In the United States, under the agricultural adjustment administration, they have carried on a lot of rehabilitation of farm lands among share-croppers in the southern states, and advisory committees have formed a very important part of that scheme. Not only have they advised with regard to the land; but being local men who were acquainted with the peculiar conditions of farming in the districts in which they were appointed, they have continued to act in an advisory capacity to the men who were taking up the lands under the act. I think that is something which the director should take under consideration. The men on these committees being practical men, as the minister proposes they shall be, their advice would generally be accepted by the veterans, and the effect in the community would be very good.

Section agreed to.

On section 35—Minister may enter into agreements with provinces.

Mr. CRUICKSHANK: I notice that subsection 2 provides:

The agreement shall contain such proviisons, conditions and limitations in regard to such settlement as the minister and the province may mutually decide.

I assume that this clause means that the minister and the provincial government may enter into agreements to the mutual advantage of both governments and the soldier settler; is that correct?

Mr. MACKENZIE (Vancouver Centre): That is right.

Mr. CRUICKSHANK: That being so, I assume the minister will take into consideration the best interests of the soldier, and under that section, he may, in doing so, consider the penalty and interest in regard to dykes and drainage; am I correct? Mr. MACKENZIE (Vancouver Centre): I shall be very glad, Mr. Chairman, to see that the dyking and ditching referred to so often by the hon. member will be considered by the director in British Columbia when these matters are being dealt with.

Section agreed to.

On section 36—Fine and imprisonment where no penalty prescribed in act.

Mr. DIEFENBAKER: I should like to know why subsection 3 is worded as it is:

Every land inspector, field supervisor, official, employee . . . who knowingly or negligently makes any false or deceptive statement in any report . . . shall be guilty of an offence. . . .

Does that not go rather too far—to penalize officials of the department who through neglect or negligence make a false report?

Mr. MACKENZIE (Vancouver Centre): It is taken word for word from the old act.

Mr. DIEFENBAKER: It goes a long way. First it says it must be "knowingly"; then in the alternative "negligently". It means this, that if any official of the department makes a statement that is not true, even if he did not know the statement was not true but did not investigate the matter fully, he would be guilty of an offence, and the penalty is very heavy. It practically makes every civil servant in the employ of the director the guarantor of the truth of the statements which he makes in his returns.

Mr. MACKENZIE (Vancouver Centre): Here is section 63, subsection 3, of the Soldier Settlement Act:

Every land inspector, field supervisor, official, employee or servant of the board, and every agent engaged by the board or acting for it or on its behalf, who knowingly or negligently makes any false or deceptive statement in any report, return, appraisal, statement or other document respecting or referring to any real or personal property. . . .

And so on. It is exactly the same thing.

Section agreed to.

On section 37—Director may make regulations.

Mr. FRASER (Peterborough West): Will the minister elaborate a little on subsection 1, paragraph (i)?

Mr. MACKENZIE (Vancouver Centre): I am informed it refers to those still in the service. They might be veterans, and an arrangement might be made for their settlement while they are still serving but before they are finally discharged.

Section agreed to.

Mr. MACKENZIE (Vancouver Centre): As a result of the observations of the leader of the opposition the following is suggested by the law clerks, which I will ask one of my colleagues to move as section 38:

38. A detailed account of the financial commitments entered into and the expenditures made under authority of this act shall be laid before the House of Commons of Canada during the first fifteen days of the then next session of parliament.

I think that meets the point raised by the leader of the opposition.

Mr. CRERAR: I so move.

Section agreed to.

Schedule agreed to.

Preamble agreed to.

Bill reported, read the third time and passed.

WAYS AND MEANS

INCOME WAR TAX ACT

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

The CHAIRMAN: We are on resolution 6.

Hon. J. L. ILSLEY (Minister of Finance): On Friday night the hon. member for Peterborough West (Mr. Fraser) asked a question about resolution 6. He wanted to know whether, in the event of a man and his wife both having incomes, they were taxed as single persons and whether the refundable part would be 8 per cent or 10 per cent. Was that the question?

Mr. FRASER (Peterborough West): No; that is not quite the question. It says 10 per cent of the income of a married person, or \$1,000, whichever is the lesser. Would each be allowed 10 per cent? Previously, the husband could deduct from his and the wife could deduct from hers. It would be one or the other who would deduct so much, and in regard to the defence tax, each had a deduction. Now it is doubtful, owing to the change, making the wife, in the case of an earner, the same as a single person, whether this would apply or not.

Mr. ILSLEY: It is intended to make this comply with the other resolution. One gets into complications in discussing this subject. For instance, part of the income might be earned and part might be derived by investment income. I think the only thing I can do is to see that the section of the bill is carefully drawn, and we can discuss it under the bill. But it would not do, it seems to me, to allow 10 per cent to both the man and his wife. If the wife is taxed as a single person and the man is taxed as a married person, the husband should have 10 per cent returnable and the wife should have only 8 per cent.

Mr. FRASER (Peterbrough West): I have brought this matter up because I know an automobile salesman who last year had an income but who this year has had that income taken from him by the wartime prices and trade board. The wife is earning more than the husband this year, and in that case she would have 10 per cent deducted and the husband 8 per cent.

Mr. ILSLEY: What is the husband's income?

Mr. FRASER (Peterborough West): This year he gets about \$1,000 and the wife about \$1,100.

Mr. ILSLEY: The husband would not be taxable if he is earning only \$1,000. As a result of the amendment I proposed to resolutions 1 and 3 the wife is entitled to earn more than \$660 without depriving her husband of his exemptions as a married man. Since a married man is not taxed unless he makes at least \$1,200, that man is not taxed. The wife would be taxed as a single woman, and in that case the amount returnable should be 8 per cent instead of 10 per cent. However, I will give the point careful consideration.

Mr. FRASER (Peterborough West): This is something which will be a sticker for the accountants throughout the country. It will have to be made quite clear.

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): I said \$1,000, but I have not the letter here. I believe it is a little more than that. I think he has an income of \$100, after the \$1,200 exemption.

Mr. HANSON (York-Sunbury): Has the minister brought down a resolution in relation to soldiers?

Mr. ILSLEY: Not yet.

Mr. HANSON (York-Sunbury): What resolution is that?

Mr. ILSLEY: It will come at the end.

Mr. HANSON (York-Sunbury): We are on resolution 6 now. Has the minister formed any idea as to what he will do having regard to the effect that this resolution may have on the voluntary saving plan?

Mr. ILSLEY: My intention is to see that voluntary lending to the government is sought after and encouraged as in the past, and I hope and believe that we shall be able to get very large sums from the Canadian people

[Mr. Ilsley.]

under the voluntary method. The national war finance committee has fifteen or twenty thousand workers. There are plant committees in nearly all factories in Canada, and if committees are not formed among the workers of these plants they have access to the plants. As soon as this legislation is passed and the regulations are made under it, so that the procedure is known, it is my plan that the workers in the organizations of the national war finance committee will see that workmen and employers are fully informed of the procedure that must be adopted.

Mr. HANSON (York-Sunbury): That is with respect to deductions?

Mr. ILSLEY: With regard to deductions and offsets against the deductions which will be provided for in resolution 7, that is the payments to pension plans and on mortgages and life insurance premiums. It will be explained that in some cases the pure taxes, the taxes that are not refundable, are no higher this year than last, and in some cases they are actually lower. The impression has been created that this puts terrifically heavy burdens on the people. It does, but not impossible burdens. I received one letter from a woman who wrote that it was going to be impossible for her and her husband to carry on and raise their family under this budget, and it turned out that she was not taxable at all. A large amount of education of the public will be necessary. The publicity has all been in the direction of burden and weight and oppressiveness of taxation, whereas with a great many persons, those who have offsets against their compulsory savings, against the refundable part of the taxes, the tax burden will be only slightly greater than it was last year, and in some cases, the very low brackets, it will actually be less. When these facts are explained to workmen, if they are explained with clearness and enthusiasm and the necessities of the case pointed out, my expectation is that they will not cancel their war savings certificates, and they will continue to buy them and perhaps small bonds. In one case 350 workmen in a particular plant said they would have to cancel their war savings certificates because of the burden imposed by this budget. A representative of the war finance committee went to them and pointed out that they were entirely wrong about the weight of the taxation, and the whole 350 withdrew their cancellations. Therefore there is a great educational task to be performed. We have a great organization, Mr. Spinney's organization, which will have to perform that task. If the job is done well, I believe we can preserve and extend the voluntary lending to the

people and extend the

government and at the same time get the somewhat larger taxes imposed by this budget, and get a large volume of compulsory savings in the case of persons who are not saving otherwise.

Mr. HANSON (York-Sunbury): I do not wish to say any word that would in any degree retard the principle of voluntary saving; I said so in the remarks I made on the budget. But I felt that this compulsory saving, especially with respect to the smaller taxpayer, was imposed on the theory that the voluntary saving plan had not yielded the result that the nation had expected and had the right to hope. I think the figures given some time ago as being less than \$100,000,000 a year would bear out that presumption. Have there been in fact many cancellations?

Mr. ILSLEY: I cannot give the figures of redemptions, but certainly redemptions have been substantial.

Mr. HANSON (York-Sunbury): Over what period?

Mr. ILSLEY: They cannot be redeemed until six months after the certificates are bought. They started as soon as they could start, but they were small for a while. The more war savings certificates are held by the public, the larger the amounts presented each month for cancellation will be. The national war finance committee have the figures and follow them with great care from day to day as to the number presented for redemption. Naturally it is undesirable to have that redemption going on. The compulsory saving will put an end to that; that will not be redeemable until after the war. But I would not say that the voluntary system has failed. The figure the hon, gentleman has given is correct; that is, it has run at a rate of less than \$100,000,000 a year for war savings certificates. In addition, however, there are the purchase of small denomination bonds, and a great many of those are kept by the persons who buy them. I have not the figures of sales of those.

The main reason for this feature, however, is that there are many people—I have not the figures—who do not feel any obligation to save.

Mr. HANSON (York-Sunbury): That is the reason for this?

Mr. ILSLEY: Yes; it was considered that it was only fair that everyone who has an income of a certain size should save something, and not allow their neighbours to do the whole thing.

Mr. HANSON (York-Sunbury): The minister intimated that redemptions had increased. Have there been many cancellations of the arrangements whereby subscriptions poured in automatically through the banks?

Mr. ILSLEY: I could not say. That is one of the important plans for the sale of war savings certificates. I could get that information.

Mr. HANSON (York-Sunbury): It is automatic almost.

Mr. ILSLEY: Yes; it is an order given to the bank to take so much out of the account each month for the purchase of war savings certificates.

Mr. NICHOLSON: Would the minister outline in greater detail the steps taken by his department to discourage the redemption of these certificates? If they are being redeemed in large quantities it is going to defeat their purpose. I have not seen much in the way of advertisements to discourage the redemption of these certificates. What is being done?

Mr. ILSLEY: I do not know what steps have been taken. In a speech or two I have made I have pointed out that a person is withdrawing the support he has given his country when he redeems a war savings certificate. I know that after the last victory loan campaign billboards were used urging the people to keep the bonds that they had bought. That did not apply to the war savings certificates. I am not sure what advertising has been done or whether it was thought a good plan to advertise and tell people not to present their war savings certificates for redemption. I know in the early months, perhaps in the first year or so of the war savings campaign, we felt that we should not say anything to the effect that redemption was discouraged, because there had been some propagandaperhaps that is not quite the correct wordin certain localities to the effect that war savings certificates would not be redeemed. If the government came out and said, "Do not present them for redemption," it would look as though we were afraid of having them presented for redemption.

That view was held for some time, and it was considered that we should abide by our contract. We sold the people war savings certificates, and we said that if they were presented at the end of six months they would be redeemed without interest. There is no interest payable if they are presented then. The longer they are kept, the more interest accrues, and the higher the rate of interest received by the holder. It was felt that we should take a businesslike stand.

Income War Tax Act

Later it was pointed out, however, that to sell war savings certificates or bonds was harmful to the war effort, and harmful to the financial effort of the government and the country.

Mr. HANSON (York-Sunbury): I understand this is the only resolution under which the method of deduction may be discussed. Of course the resolution itself is entirely silent as to what method will be pursued. Will the minister say whether a method has been determined upon, and what it will be? In that connection we would have to discuss resolution 7 along with resolution 6, because there is a question of life insurance and superannuation payments.

I would understand that large corporations like the Canadian National Railways and the Canadian Pacific Railway, which are perhaps the greatest employers of labour in Canada, outside the government itself, will be faced with a tremendous undertaking if all this money is to be deducted at the source. The private situation of each individual taxpayer liable to taxation would have to be divulged. Has the minister decided on a method by which the deduction is to be made?

Before he answers that question would he give the committee an idea of what the cost of the war savings campaign has been. He has pointed out that 20,000 or 30,000 people worked on the campaign, and it would seem to me that if they were full-time employees the campaign would be an expensive one.

Mr. ILSLEY: I could get the figures, although I have not those figures before me. When I referred to the 15,000 or 20,000 persons I pointed out that they are not engaged solely in the sale of war savings certificates. There were two separate sets of persons working on the sale of government securities. There were those who worked on the victory loan campaign, and there was the war savings organization. That was the condition up to some months ago, when they were merged into the national war finance committee.

Mr. HANSON (York-Sunbury): At the time of the last loan.

Mr. ILSLEY: Yes. The national war finance committee is now a continuing organization, and the workers are not war savings workers only. They are workers who are ready to do anything in a campaign for the sale of bonds. It is all one organization. It will be understood, of course, that nearly all these people are voluntary workers; for the most part they are not paid. Only a very [Mr. Ilsley.] small number were paid workers. In the victory loan campaign they were paid a commission.

Mr. HANSON (York-Sunbury): Bond dealers are all paid, are they not?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Is there not a superintendent of each division, district or province?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): In my own province there is a full-time man who operates on salary and expenses.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): He has now enlisted nearly all the bond dealers in this war savings certificate idea. They must receive commissions. Employers usually do it for nothing, and many workers do not, I understand, ask for commissions. But I am wondering what the percentage of cost would be, in relation to the objective attained. When the minister gets \$100,000,000, how much does it cost? Does it cost 2 per cent or 3 per cent?

Mr. ILSLEY: I shall have to get that information.

Mr. HANSON (York-Sunbury): What method has been set up to deal with deductions?

Mr. ILSLEY: I might point out that I had the figures as to the costs in connection with war savings certificates up to last fall. When I went to the western provinces to talk to war savings workers I had the figures, and they were surprisingly low. However, I do not remember those figures offhand, and they would be out of date to-day anyway.

I believe the plan for deduction at the source would be more properly discussed under resolution 25.

Mr. HANSON (York-Sunbury): Possibly so. I withdraw my question at this time.

Mr. JACKMAN: How much does the minister expect to raise this year by way of war savings certificates? Could he give the committee a rough estimate?

Mr. ILSLEY: I have not discussed the matter lately with the national war finance committee. Naturally plans change and estimates vary from day to day. Mr. Spinney is now in western Canada, and then of course the budget gave a bit of a jolt to the national war savings committee organization.

Mr. HANSON (York-Sunbury): Naturally. Mr. ILSLEY: And that has to be overcome. Mr. JACKMAN: The minister has to raise \$1,800,000,000 on top of taxation to pay for war and ordinary costs. About how much does he think he can raise through the sale of war savings certificates during the year, in view of the present budget? The minister must have some estimate in mind as to how he is going to raise the \$1,800,000,000 through various methods. The sale of war savings certificates is one method, although perhaps not the main one. Certainly it would be an important subsidiary method of raising revenue.

Mr. ILSLEY: I cannot give any estimate of that kind.

Mr. HANSON (York-Sunbury): What is the objective?

Mr. JACKMAN: The roof is \$1,800,000,000.

Mr. ILSLEY: I am not in a position to state the objective. I have not taken that amount, broken it down and said, "We will get so much this way and so much that way."

Mr. JACKMAN: It might be well if you had.

Mr. ILSLEY: It is a case of spending whatever the country is capable of spending on war, doing everything the country is capable of doing, and then of adopting some financial method or another to see that that cost is met. It is not a case of deciding how much we can afford to spend, or how many dollars we can raise, and then adapting our war effort to that number of dollars.

Mr. HANSON (York-Sunbury): Would that not be a fairly wise thing to do?

Mr. ILSLEY: No, I do not think so.

Mr. HANSON (York-Sunbury): That is what you have to do in private life.

Mr. ILSLEY: Yes, that is what is done in business, and what perhaps has been done by governments in former years. But from the very beginning our decision has been to do everything the country was capable of doing, no matter what the cost, and then finance it some way or another. We have been able to to do it so far.

Mr. JACKMAN: I believe everyone agrees with the minister that so far as the war is concerned what is physically possible is financially possible. But when one gives consideration to that very general statement, a statement to which one happily subscribes, he becomes puzzled to know how, under our present financial system, we are going to carry it out. Has the minister consulted with any of his technical advisers as to just how we can carry out that principle of what is physically possible being financially possible under

Income War Tax Act

our present system? Looking at this budget and the impositions that are being placed upon the people, it would seem to me that if we are going to maintain the integrity of our financial system and preserve it for the postwar period we are coming quite close to the end of our tether. There may be some other means of raising money or credit, and I should like to have enlightenment on that if the minister is prepared to give it.

Mr. ILSLEY: It is an ambitious programme that the hon. gentleman has put before me, to outline the way of making the financial effort approximate the physical effort. This is a very general question, a question that has been discussed time and time again in the house. The hon. gentleman knows what we are doing; he knows how we are meeting the cost of the war. We have been able to do it to date and expect to continue to do it.

Mr. HANSON (York-Sunbury): By the same method?

Mr. ILSLEY: Yes.

Mr. QUELCH: It is reassuring to hear the words of the hon. member for Rosedale (Mr. Jackman). The practice of selling bonds to the chartered banks and war savings certificates to the government will probably increase, and I think the minister should do everything possible to stop this. One way for him to do it would be to make a broadcast emphasizing the importance, as he has done in this house, of these bonds and war certificates and emphasizing the fact that their sale is for the purpose of curtailing the spending money of the people. He should point out that when bonds or savings certificates are sold to the banks or the government that purpose is defeated and that if the people persist in the practice, the government will be forced to increase taxation. If the government could make that statement, it would go a long way toward preventing that practice, and at the same time it would not hurt the sale of bonds or certificates.

Mr. ILSLEY: Perhaps we could do more along that line than we have, and I shall be glad to consider the suggestion. Two or three suggestions have been made to-night that we should appeal to the people not to dispose of their government securities. I never know just how effective appeals to the people are. Some of them are successful and some are not, but certainly I am in accord with these sentiments. I do not like to see those who buy our war savings certificates redeem them, and I do not like to see those who buy our bonds sell them to the banks. I think the people should understand that it is their duty in so far as they possibly can to keep the certificates that they have bought from the government until after the war.

Mr. GREEN: A few moments ago the minister said that he was not declaring any objective in the sale of war savings certificates. Is he preparing to do away with objectives in the sale of victory bonds as well?

Mr. ILSLEY: No.

Mr. GREEN: Will objectives be set for each province and each community?

Mr. ILSLEY: Our plans are somewhat unsettled at the moment and have been since the budget. I do not know just what our programme will be, and I cannot say when the next victory loan campaign will take place.

Mr. GREEN: It is a continuing campaign now, is it not?

Mr. ILSLEY: Yes, but there may be special campaigns superimposed upon the continuing campaign. If there are, undoubtedly there will be objectives. When the hon. gentleman says that I said—

Mr. GREEN: I thought the minister said that; I do not want to put words in his mouth.

Mr. ILSLEY: I said that at the moment I could not say what the objective would be for any particular period of months. We have to get this budget working, get squared away. It would be idle to deny that the institution of a system of compulsory savings and the fitting into that of a voluntary plan of savings is one of the biggest tasks that this or any other government has ever undertaken. I thought the institution of price control in Canada was the most difficult thing that we had undertaken up to the moment, and I think it was. I think that programme presented problems which seemed more impossible of accomplishment than anything we had ever undertaken. But this is almost as difficult. We are reaching the position where it will require intensive work by thousands and thousands of people in order to obtain a right frame of mind on the part of the men and women of the Dominion of Canada. If they think they cannot do these things; if they say they cannot do them often enough and spread that sort of thing, it will have a damaging effect upon morale. That can be counteracted by enthusiastic workers who are in the national war finance committee organization by the thousands. As I said before, my ambition is to have these people who have access to all factories, who are in all country districts, who are everywhere, explain

what the government has to do and to show the people why these heavy taxes have been imposed, to demonstrate that they are not as heavy as might be thought in a great many cases. I want them to sit down whenever possible with people and try to get them to lend their money to the government to the extent of their ability. If that is done in a thorough and enthusiastic way, in the spirit of a crusade across the country, we can get very large sums of money, and we can make a success of the tremendous job of financing that is ahead. That is what I have in mind, but it is going to be difficult and will require the cooperation of every person.

Mr. HAZEN: Reference has been made to the war savings certificates which the government has asked people with small incomes to buy, by means of extensive advertising, loan campaigns and, in other cases, I am sorry to say, by high pressure methods which I do not think can be justified. On the back of these certificates it is printed in small type that they are not transferable and that the government reserves the right to require ninety days' written 'notice of any application for redemption before maturity.

It seems to me that these regulations should be modified. They discriminate, perhaps unintentionally, between the rich and the poor; they result in hardships, and in certain circumstances they open the door to abuses that should not be permitted. In addition, to my way of looking at the matter, they discourage the sale of these certificates.

I know of no better way of bringing this matter to the attention of the committee than to relate a personal incident. A young man, a labourer, came to my office when I was home some time ago and produced six of these war savings certificates and asked me if I would lend him some money on them. I told him that I was not a banker and that the best thing he could do would be to go to the bank and get a loan, depositing the certificates with the bank as security. He said that he had already gone to the bank and had been told that the bank was not in a position to lend him money on them, that the regulations printed on the back of the certificate prevented the banks from making such advances. He told me that he had to have the money, that he was in desperate cir-cumstances. His baby had died; the funeral was to be that day, and he had to have funds. That was his position.

To my way of thinking that was a shocking situation brought about either by government cupidity or by lack of regard for the everyday men and women of this country to whom

[Mr. Ilsley.]

these certificates have been sold. The government had taken this man's money and given him certificates which he thought were a giltedged security but which he found were absolutely useless to him when he was in dire need. Had he been a rich man and bought a bond or two, he could have taken the bonds to the bank and deposited them, and would have received a loan immediately. But he was a poor man and had only war savings certificates. Consequently, when badly in need of money he was unable to get it.

This means that we have one law for the rich and another for the poor. It is class distinction by order in council and should not be permitted to go unchallenged. I protest against it. I wrote to the Minister of Finance about the harshness of this regulation and suggested to him that the regulation should be amended to enable the banks to advance money on these certificates in case of necessity. I must confess that I was disappointed at his answer. He appeared to be perfectly satisfied with the regulation as it stood. In consequence, I am obliged to bring this matter to the attention of the committee this evening.

Not only is the regulation harsh; not only does it discriminate unfairly against the smaller investor, but it offers an opportunity to money-lenders and avaricious persons to take advantage of those in dire need, and I am informed that they are being taken advantage of. The man who brought these certificates to my office would have been glad to take half their value for them if the money were handed to him immediately. There are many holders of these war savings certificates who must find themselves in somewhat similar circumstances, desperately in need of money for some special purpose.

The regulation provides that these certificates are not transferable, but there are ways and means of getting round the regulation. I know of nothing to prevent the holder from selling these certificates at less than their value, signing his name in the space provided for that purpose on the back of the certificate in order to obtain payment at or prior to maturity, giving as his address the address of the purchaser, and then giving the purchaser a power of attorney to enable him to endorse his name to the cheque when received. The regulation should be amended so as to enable the holder of these certificates to obtain an advance on them at a chartered bank in case of necessity, and I hope that other members of this committee will support me in having this change made.

Mr. ILSLEY: Mr. Chairman, I think the hon. gentleman has allowed one incident which has appealed to his sympathy to colour his

Income War Tax Act

whole judgment of the matter. He has not shown any appreciation of the underlying principle here. He should remember that war savings certificates are the one form of security that I know of which is free from income tax, and therefore it is very important that there be no accumulation of those certificates in the hands of anyone, banks or otherwise, because they then would hold them free of income tax, and we would have the very evil against which members of this house have inveighed time after time, and properly so. It is for that reason that the purchase of war savings certificates by any one person is limited in any one year to \$600 in face value, \$480 cash value. If they were transferable, of course they would just be picked up and held in large blocks by persons in the higher income groups, and then we would have the scandal of wealthy people evading income tax.

Mr. HAZEN: They can pick up bonds.

Mr. ILSLEY: The interest from bonds is subject to income tax.

Another reason why these war savings certificates are not transferable is that the government is most anxious that when persons buy these certificates they hold on to them. In fact, a member of this house who has a good understanding of these matters was speaking to me just a few nights ago and suggested that we issue bonds that could not be transferred until after the war. Otherwise he said the bonds would drift into the hands of the chartered banks, and that would be a bad thing because it would be inflationary. I pointed out to him that the bond dealers and others selling the bonds always insisted that their transferability was one of the selling points and that if we wanted our victory loan campaigns to be successful those who were selling the bonds would have to be in a position to say to the prospective buyer, "If you get into a difficult situation you will be able to sell your bond and get your money." But that has never applied to war savings certificates for the reasons I have given, and I do not think it should apply to them. If they were transferable the result would be that they would be transferred. You would sell a lot of war savings certificates to workmen in the plants, and in many instances they would hold them for less than six months, sometimes for only a week, and then they would go out and sell them to somebody else and spend the money, which would be directly contrary to what we are trying to teach the people of Canada to do.

The hon, gentleman wrote me about this. I did not explain these considerations fully to him in reply because they had been fully explained publicly time and again. I would have thought that instead of raising issues between rich and poor here to-night and saying, "if you were a rich man you could have held a bond," he would have appreciated the fundamental principles underlying this matter.

Mr. HANSON (York-Sunbury): Does the minister not think, having regard to the fact that this is going to be a long war—I do not think we need disguise that from ourselves—that we have now arrived at the peak of what we can take in taxation from the people of this country? I saw a chart prepared by his department the other day, and it would be illuminating to the membership of this house if that chart could be reproduced on a small scale, showing as it does in a graphic way what the taxation is, how the curve goes up from nothing. I hold the view that we have gone about as far as we can in the personal income tax field.

Mr. NICHOLSON: The hon. gentleman said that a year ago.

Mr. HANSON (York-Sunbury): No. I did not say that a year ago. I challenge the hon. member to find any words of mine that we had gone to the peak.

Mr. NICHOLSON: "About" as far.

Mr. HANSON (York-Sunbury): No, I did not say even that. I knew we would have to go further. I said there was inequality in the tax a year ago. That is what I laid stress upon. I think some of the inequalities have been ironed out. That chart rather convinced me of that somewhat against my preconceived ideas. Yet a number of inequalities still exist. But that is not the point I want to make now. I think we have reached the peak of personal income tax in this country. I do not know how I am going to pay mine if I have to pay one-quarter on the 15th day of September.

Mr. ILSLEY: We are going to change that date.

Mr. HANSON (York-Sunbury): I should hope so. I am waiting for that resolution to come up. I have had difficulty enough to pay the tax in twelve monthly instalments. I still have two to pay on the 1941 tax, and by the way, I do not know whether I shall have it paid then, because I have not got my assessment.

I just complete paying my income tax for 1941 on August 31, and if on September 15, two weeks later, I have to pay one-quarter of my 1942 tax, I shall just be out of luck, I shall have to go to the bank; and I cannot use my war savings certificates, of which I have tried to take the maximum every month since they started. I wonder if the minister has not arrived at the time when he is asking the people to go as far as they can in the payment of personal income tax. I have received reams of letters of protest against the taxes under this budget. I have some of them here; I am not going to spread them on the record although I have authority to do so.

I received a letter from a young Anglican clergyman who has a parish in the province of Quebec. He receives a stipend of \$1,500: he has a free rectory on which he is charged a rental valuation of \$250 per annum. I doubt if it is worth that much, because it is in a small village; but he has to pay on \$1.750. He has to keep a conveyance of some sort to meet his appointments-a horse in the winter, a car in the summer. He has to send his children away to school, because in his locality the schools are quite inadequate. I do not know whether the minister knows the situation in the province of Quebec, but in small communities there is quite a dearth of educational facilities under the Protestant school commisssion for children such as his.

Mr. ILSLEY: How many children has he?

Mr. HANSON (York-Sunbury): I think he has two, if not three. I have not his letter with me; I wish I had; I could read it to the minister. On top of that, the clergyman of such a parish has repeated calls for a little charity. He is a "mark," if I may use that term of a man in his position. He has to give; he is handing out all the time. I told him I did not know what could be done for him. He is in the category of an artisan earning \$150 a month, and if he is given consideration the other fellow has to be given consideration; yet he has-I say this not disparagingly toward anybody-undoubtedly a little higher standard to keep up. The only thing that I can suggest should be done for him is that he should have his rectory free of income tax.

Mr. ILSLEY: That would not do.

Mr. HANSON (York-Sunbury): I know the difficulties which that would create. The minister says that this budget is not increasing the burden; I submit that it has greatly increased the burden.

Mr. ILSLEY: Let me tell you about this man, when you get through.

An hon. MEMBER: He gets no allowance for travelling expenses, either!

Mr. HANSON (York-Sunbury): I think I understand the innuendo. There are only a few people in this country who get their travelling expenses free of taxation. I am not going to refer to that.

[Mr. Ilsley.]

An hon. MEMBER: The dollar-a-year men.

Mr. HANSON (York-Sunbury): I do not want to refer to them at all. Here is the position of a man who seems to me to be in a pretty tight corner, but I do not know what could be done for him without a reaction clear across the country. I suggest to the minister that as far as personal income taxes are concerned this country has reached the peak. People should not be asked to make further sacrifices. I have tried to examine the figures put on the record by the hon. member for St. Antoine-Westmount (Mr. Abbott), and I must confess that the result he has arrived at is contrary to what I understood or was told was the position. I have not made any computations myself; I did not feel capable of doing it; and I have not anybody to do it for me. I am not arguing the case for the rich, but I think I am voicing the sentiment of the many thousands of people in the lower tax groups who are called upon to pay personal income taxes when I say we have reached the pinnacle of what we should do. I will tell the minister what I think he should do. I do not think he can pay so much of the cost of this war through the present taxpayers; that the future generations for whom we are fighting will have to assume their part of the burden as well, and a larger part than they are doing to-day.

Mr. ILSLEY: They will have plenty.

Mr. HANSON (York-Sunbury): We are paying a substantial part of the expenditure on this war. The minister made great claims in days gone by as to the percentage of war costs we were paying. They were large, but as the war bill increases those percentages will decrease; and I contend that future generations, if we are to have a future at all, must sustain their part of the burden of this war, and that too much of it should not be loaded upon this generation. Frankly, I cannot pay my income tax out of my current revenue and keep up anything like the position I have had throughout my life. I am willing to cut that down; I am cutting it down now in every way I can. But there are hundreds of people in my position, and what we have to do is resort to the savings made over a long time. Well, if it has to be that, it will have to be that. But I suggest that he and his experts should explore other avenues of raising money to pay the costs of this war than taking so much through income tax.

Mr. ILSLEY: In the first place I want to answer what the hon. gentleman has said about the Anglican clergyman, the young rector in

[Mr. Hanson (York-Sunbury).]

the province of Quebec. I am glad he brought that up, because it is an example of just what I am complaining about, and have been tonight, that people are afraid of this budget away beyond what is justified. That young man, if he has two children—

Mr. HANSON (York-Sunbury): Three, I think.

Mr. ILSLEY: I can only go on the basis of two now.

Mr. HANSON (York-Sunbury): Well, that will illustrate the point.

Mr. ILSLEY: Let us assume he has two children and has an income of \$1,750. For last year his tax was \$48; for this year, under this budget, his tax is \$53.

Mr. HANSON (York-Sunbury): Plus his savings.

Mr. ILSLEY: Yes; he is paying \$5 more in taxes, but in addition to that he is being asked to save \$52. If he has life insurance or anything of that kind-and the probability is that he has—he can deduct that up to \$50. If he has not, it will be a surprising thing. Therefore that man has gone to all the trouble of writing to the leader of the opposition, and having his case brought forward in parliament as a typical case, because he is paying, if he has two children, \$5 more under this budget than he paid last year. That is exactly what I have been talking about. I have received letters from persons who said that under this budget they were crushed and could not carry on, and we have worked it out and found that they do not pay any tax. The exemptions use up the whole thing. It must be borne in mind that in the initial stages those who have been paying national defence tax get credit for the tax paid from January 1 to September on the tax they pay from September 1, which relieves their burden very considerably.

Mr. HANSON (York-Sunbury): Only for this year.

Mr. ILSLEY: Yes. I have not taken that into account in what I have said about the Anglican clergyman. He would have a credit. He will be paying less than he did last year. I think the hon. gentleman had better write and tell him to cheer up.

Mr. HANSON (York-Sunbury): I will send him a copy of *Hansard* to-morrow.

Mr. MacINNIS: I am certainly amazed at the words of the leader of the opposition in the remarks he made—at least those that I heard. I shall refer in a moment to what he said, but as the matter of taxation appears

Income War Tax Act

to me we are in a war and that war has to be fought and paid for. Certain people are doing the fighting and certain people doing the paying, and the only way in which we can tell whether we who are doing the paying are doing much or little compared with those who are doing the fighting is to compare our respective positions. The leader of the opposition referred to the fact that he could not pay his taxes out of his present revenue and that he would have to draw on the savings of a lifetime. Do my hon. friends when they talk about this war understand that men are falling in flames from the sky every day men whose lives have not yet really begun? What are my hon. friend's savings of a lifetime compared with that sort of thing? Those are the things that are important, and if we are sincere in our talk in this house we shall have to discuss matters from that point of view.

Mr. HANSON (York-Sunbury): The two things are not comparable at all.

Mr. MacINNIS: Of course they are not.

Mr. HANSON (York-Sunbury): Why bring it up?

Mr. MacINNIS: I say that my hon. friend's savings of a lifetime are not—

Mr. HANSON (York-Sunbury): The two positions are not comparable at all, and you cannot make a comparison between them. I admit that the sacrifice of a soldier cannot be measured in terms of dollars and cents, but if we are to have anything left in this country, then I say, do not tax us too heavily.

Mr. MacINNIS: Can the young man who is taken into the army say, "If you are to have any people left in the country after the war, do not take us away"? Every word the leader of the opposition said is based on "our property"; "You are taking our property away." Not a word about the lives of the young men which are being taken away and which it is advocated should be taken away more completely—

Mr. HANSON (York-Sunbury): I deny that, I will not let that go unchallenged. The minister has to have money, but I say he has gone the limit in one method he has devised and he must devise some other method. Page the hon. member for Lethbridge (Mr. Blackmore) as to the other method.

Mr. MacINNIS: But the leader of the opposition does not accept the ideas of the hon. member for Lethbridge. He says we should borrow money. Well, if we can borrow

[Mr. MacInnis.]

money, surely the money must be here. Either that, or we are going to allow people to create money and then lend us that money at so much in interest. It is one of two things: either the money is here to be borrowed, or it is not here, but it can be created and we can borrow that created money. If we borrow created money, I submit that the government can create the money for itself at no or very little cost, and without paying interest. If the money has to be borrowed, we have to find it in one of two ways. As I say, either it is here and we borrow it from the people who have it. or it is not here and someone creates it, and for the privilege of creating it we pay them interest forever. That is the position we are in

We are taxed heavily, but we have not begun to sacrifice in this country. Let us compare our sacrifices with what is going on in the desert in Egypt to-day, and we shall have some understanding of what we are paying and what others are paying. There is only one thing that is important in this matter of taxation, and that is that the burden should fall as equitably as possible on the whole population. In so far as I think the minister is taxing equitably I shall support him. When he is pressing too hard on people whose incomes are already too low I will protest, but only under those circumstances.

Mr. ILSLEY: I want to follow up the case of the rector. By September 1 he will have paid \$32 of the \$53 tax in national defence tax since the beginning of the year. For the next twelve months his actual rate of taxation will be less than half the rate he has been paying on national defence tax.

Mr. HANSON (York-Sunbury): That is only for this year.

Mr. ILSLEY: Yes, but just think of it.

Mr. BOUCHER: If the minister checks up he will find that clergymen in the last year have not been granted exemption for mileage in their travelling, whereas other professionals have been granted that exemption. There is a discrimination there. The doctor or the business man, the commercial traveller, is allowed exemption in that respect, but I do not believe the clergyman is receiving that exemption. The work of clergymen calls for a great deal of travelling in their cars if they are to render proper service to the community, and that is something that might be looked into by the minister.

Mr. JACKMAN: When we are talking about the value of the rectory in relation to

4444

the rector's stipend, it does strike me that there may possibly be some discrimination between the Protestant religion and the Roman Catholic religion. In some ways the Roman Catholics may be more efficient in carrying on the work which they do, and I refer particularly to the fact that, owing to celibacy in the Catholic church and the fact that the priest probably does not have a private income, he is not a taxable person. How, therefore, does the department tax the dwelling in which he lives? On account of there not being celibacy among the Protestant clergy they have their own homes, either provided by the church or out of their stipends and they then have to pay a tax on the value of that house. Is there discrimination between the Roman Catholic religion and the Protestant religion with regard to the manse or rectory which the parson or the priest enjoys?

Mr. ILSLEY: Rather than hold up the committee I think the answer will have to be given to-morrow or later, because it seems to be rather a long story.

Mr. JACKMAN: That is satisfactory.

Mr. MAYBANK: Is it the definite intention and desire of the government to discourage individuals from purchasing dwellings? I raise that question because of the date fixed as to when a mortgage will entitle a person to exemption from the refundable portion of the tax. Is it the definite intention to discourage the purchase or building of dwellings?

Mr. ILSLEY: I do not see any objection to the purchase of dwellings. Building is different; that is using materials. The government does not desire to see any more of that than is absolutely necessary. It is not the definite objective of the government to discourage the transfer of property.

Mr. MAYBANK: It is rather difficult to accept that statement. Of course I am not suggesting that the minister is deliberately giving a wrong answer. But it is pretty nearly impossible for a person in the middle income brackets to be paying the amounts required under this refundable section, and also to commence the purchase of a home. I should think the great majority of people in the middle income brackets will be exempt from this clause, taking a certain percentage of their income, I think it is about \$480 for the \$5,000 man. I should think most people in that class would be exempt from that requirement; they have life insurance or are buying a home. But many people who were about to buy homes will not be able to pay the \$480

to the treasury and also a similar amount on the purchase of a home. If this provision is left as it is, unquestionably, it will chill the alienation of property for the purchase of homes because the people in the middle income brackets or, indeed, in others, cannot do both. Therefore it does give rise to the thought that there is a definite intention to prevent it.

In the land titles office at Winnipeg in May there was a certain number of transfers of property registered, let us say one hundred. On examination of the transfers it was quite apparent that 90 per cent of them were for homes. In June that 100 will be 125, and in July more, possibly 150. In August, after this budget has become known, there will be practically none, because people will realize that they cannot meet the obligation of this budget and also buy that dwelling. By fixing a date as the last day upon which mortgage payments will mitigate the impost of this tax you practically tell the people, "You cannot buy a home; you may have intended to for some years, but now you cannot." I do not wish to be overemphatic about the matter, but I am quite sure that in every city in Canada there were a great many negative decisions made for the month of July and it will be the same for August. I do not think there will be a home purchased by people of the type of whom I have been speaking; I do not see how they can do so. I do not believe it is necessary to fix the date in the way that it has been done. If the desire is just to have the money saved, then whether a home is bought on June 14 or June 30 the money is still saved and it will also be available. although not in the same hands, for future loans. Many thousands of people who have been looking forward to the time when they could purchase a home will be able in spite of the budget to do so, and the government's plans will not be interfered with at all. It might even stimulate the buying of homes. Perhaps that is not desired by the government.

Mr. ILSLEY: No, it is not.

Mr. MAYBANK: At any rate you cannot stimulate it to the point of doing any damage to the alienation of property, because this mitigation of the impost is only as a result of money payments on homes. It does not apply if I want to buy two or three houses as an investment. It applies only if I am buying a place for my own dwelling. Therefore I cannot see how the government policy can be injured by leaving it open to have such payments apply on a home bought from now on equally as to a home already bought.

Mr. ILSLEY: It would give a very great stimulus, an undesirable stimulus, to the sale of property for residential purposes.

Mr. QUELCH: The discussion during the past few days has taken an interesting turn as far as the subject of money is concerned. But I cannot understand the attitude of the leader of the opposition. He is apparently criticizing the heavy taxation under this budget, but in the past he has consistently attacked the idea of the creation of money, and there is no alternative. The only alternative you might say is borrowing money from the people who have it, but if any people during this war are making large amounts of money they are the people who should be taxed.

The pay-as-you-go policy is no easy way. If you are to have that, and that is what I believe the committee wants, there is no easy way to accomplish it. We have never at any time contended that the pay-as-you-go policy is easy. We have always emphasized the fact that during a war there is bound to be heavy taxation, and I am not criticizing this budget on account of its being heavy, although I think in some respects the burden should be more evenly distributed.

But the stand this group has taken is that after you have raised the taxation to as high a point as you can without endangering the efficiency of the people and after you have allowed the people to put aside a little for a rainy day, then to the extent that the revenue so derived fails to meet the government's expenditures the services of the Bank of Canada should be utilized. That is the time that you should have the creation of credit, but not until you have applied taxation in war time to a point at which any increase in taxation will endanger the efficiency of the people.

I do not wish anyone to suggest that this group is advocating an easy way of financing the war by the creation of credit without taxation, because at no time have we advocated that policy. I think that the trouble brought about by the people selling their bonds to the banks is a result of the ignorance that has been caused by the type of propaganda circulated by the orthodox press and by the banks. The banks and the orthodox press have continuously told the people that the [Mr. Maybank.] banks can lend only their depositors' money. The people therefore feel that if they go to the chartered banks and borrow money they are merely borrowing somebody else's money, and consequently not increasing the amount of money in circulation.

When the minister replies I suggest he should point out that when the people take their bonds to the bank they are not borrowing somebody else's money. They are borrowing newly created credit, or money that has been created by the chartered banks. Therefore, when they sell their bonds to the banks the amount of money in circulation will be expanded by the amount that the bank lends them. If the minister would explain that to the people he would remove a great amount of misunderstanding. I do not believe that the great majority of people in this country to-day realize that when they take their bonds to the banks and borrow money from the banks the amount of money in circulation is being increased by the amount they get. They have been told in the past that it is merely a question of making a loan of money already in existence. I suggest that the minister do a bit of educating in that regard, and probably through such action dissuade people from selling their bonds to the banks.

Mr. HANSON (York-Sunbury): I should like to ask a question before this resolution carries.

Mr. QUELCH: Does the minister not agree with the accuracy of my statement in connection with the action of the banks in creating money?

Mr. ILSLEY: I shall look at the hon. member's statement. When he was speaking I did not think much exception could be taken to what he said, but I am careful in underwriting statements that are made.

Mr. HANSON (York-Sunbury): Why is there a limitation of \$1,000 in resolution 6? Why has that maximum been fixed?

Mr. ILSLEY: Just good judgment; that is all.

Mr. HANSON (York-Sunbury): It is purely arbitrary.

Mr. ILSLEY: Yes.

Resolution agreed to.

Progress reported.

SUPPLY

Hon. T. A. CRERAR (Minister of Mines and Resources) moved that the house go into committee of supply.

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

DEPARTMENT OF NATIONAL REVENUE 191. General administration, \$1,019,035. Item stands.

DEPARTMENT OF LABOUR

100. Departmental administration, \$166,231. Item stands.

Progress reported.

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

Tuesday, July 21, 1942	Fuesday .	July	21,	1942
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The house met at eleven o'clock.

PUBLIC EXPENDITURES

PRESS REPORT AS TO MEASURES OF SUPERVISION AND CONTROL

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): In the Ottawa *Citizen* of last evening appears an item entitled "Cabinet now studying scope of authority to be given new control." The article goes on to state:

Steps are being taken for a more rigorous control of government expenditures and particularly the elimination of needless extravagance or waste.

I should like to ask the Minister of Finance if the report appearing in last evening's press, to the effect that it is proposed to establish a new supervisory authority in order to exercise greater control of governmental expenditures, and particularly to eliminate needless extravagance, is correct? If so, when may formal announcement of this proposal be expected? It may be recalled that on more than one occasion I have made reference to the setting aside of the provisions of the Consolidated Revenue and Audit Act and to the terms of the order in council under which that was done. Apparently this has not been sufficient and it has not worked out properly. There has been great waste and extravagance. Is the government alarmed over this situation? If so, it is a very helpful sign.

Mr. CRERAR: Where has there been great waste and extravagance?

Mr. HANSON (York-Sunbury): It is evident everywhere.

Public Expenditures

Mr. CRERAR: My hon. friend should not make a statement of that kind without giving an instance of it.

Mr. HANSON (York-Sunbury): All you have to do is to read the debates of this house.

Mr. MACKENZIE (Vancouver Centre): Mr. Speaker, on a point of order—

Mr. CRERAR: Mr. Speaker-

Mr. HANSON (York-Sunbury): I have the floor.

Mr. CRERAR: My hon. friend is as good as anyone at interrupting in the house. When the hon. gentleman makes a statement that there has been great waste and extravagance, he should be able to give at least one specific instance.

Mr. HANSON (York-Sunbury): I am not going to do that now, but I shall give the minister references to *Hansard* where this has been pointed out. What I want to know from the Minister of Finance is when we may expect a formal announcement of this new proposal, how far it will go, and whether it will be retroactive?

Hon. J. L. ILSLEY (Minister of Finance): The report is completely unauthorized so far as the government is concerned. A specific proposal for the watching of a certain class of expenditure was discussed informally in the government some time ago, and it may be that one of my colleagues, not myself, will be in a position to make a statement before the session ends. I would point out that that proposal will have nothing to do with expenditures dealt with under the amendment to the Consolidated Revenue and Audit Act to which my hon. friend has referred; it will be of a different character altogether. I assume that that is what the article refers to, but as I have not seen or read the article I do not know.

MILITARY SERVICE

QUESTION AS TO SELECTION BY LOT

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I should like to ask a question of the Minister of National War Services with reference to the programme of calling up men for service under the National Resources Mobilization Act. Is it the intention of the government that the selection of men who are to serve as a result of these calls shall be determined by lot?

Hon. J. T. THORSON (Minister of National War Services): The system of selection by lot will not be effective in time for the calls in August. Whether the system will be effective

Labour Conditions

for later calls, I am not yet certain. The whole question of calling men by lot is under reconsideration.

LABOUR CONDITIONS

LAYING OFF OF MEN IN PROVINCIALLY OPERATED MINE IN NOVA SCOTIA

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): I should like to address a question to the Minister of Labour based upon a telegram which I received this morning from the secretary of the mine workers' union at Inverness, Nova Scotia, pointing out that 150 men are idle at that mine as a result of changed conditions brought about by the provincial government, which are the operators of the mine. The wire is lengthy, and I sent a copy of it to the minister. Has his department any knowledge of the situation, and if so, what steps are proposed to be taken to remedy it?

Hon. HUMPHREY MITCHELL (Minister of Labour): I appreciate my hon. friend's sending me a copy of the telegram, but as I have been under pressure this morning I have not been able to read it. So far as the department is concerned we have no knowledge of the situation except from the telegram. I shall be glad to look into the matter.

Hon. R. B. HANSON (Leader of the Opposition): I also received a telegram in connection with this matter. It would appear that these miners had a contract with the provincial government, which contract has been altered entirely without any notification to or consultation with the miners. One hundred and fifty men have been thrown out on the street because of the non-operation of one shift. It does seem to me that at a time when coal is needed so urgently, it should be demonstrated that there is some justification for this action. Will the Minister look into the whole situation and make a statement?

Mr. MITCHELL: I shall be glad to do that.

CANADIAN ARMY

INQUIRY AS TO PROVISION OF SULPHA DRUGS IN ARMY KITS

On the orders of the day:

Mr. D. G. ROSS (St. Paul's): Mr. Speaker, I should like to ask the Minister of National Defence, in view of a report I saw in the press that sulpha drugs are being included in every man's kit in the United States army, whether we are doing the same thing in this country?

Hon. J. L. RALSTON (Minister of National Defence): I shall be glad to make inquiries. [Mr. Thorson.]

TAR SANDS-SYNTHETIC RUBBER

REQUEST FOR COMMITTEE OF THE HOUSE TO INVESTIGATE AND REPORT

On the orders of the day:

Mr. C. E. JOHNSTON (Bow River): Will the government consider appointing, when the house reassembles, a committee of the house to investigate the progress that is being made in the development of the Athabaska tar sands and in the manufacture of synthetic rubber in Canada? They are most important questions.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, that is a matter of government policy which will be announced in due course.

WAYS AND MEANS

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

INCOME WAR TAX ACT

7. (1) That the total taxes payable by any taxpayer under the normal rate of tax and the graduated rates of tax shall be reduced by the amount paid by the taxpayer in respect of

(a) payments into any approved superannuation, retirement or pension fund or plan, paid as a term of employment and not repayable during the continuance of such employment;

(b) premiums on life insurance policies in force prior to the twenty-third day of June, 1942;

(c) principal payments on a mortgage on one residential property, provided such mortgage was registered and in effect prior to the twenty-third day of June, 1942;

Provided, however, that such reductions shall not exceed the amount of the refundable portion of the tax as provided for in resolution 6 above; and the said refundable portion shall be reduced accordingly:

(2) That in the case of a taxpayer over sixty-five years of age with income less than three thousand dollars, the total taxes payable under the normal rate of tax and the graduated rates of tax shall be reduced by the refundable portion of the tax as provided for in resolution 6 above, and the said refundable portion shall be eliminated accordingly.

Mr. ILSLEY: Mr. Chairman, I have certain amendments to propose to this resolution and I shall submit them to the committee in a moment. Before I do so, however, there is a statement that I would like to make in reference to "income tax flying", so-called, to which I referred on Friday night. Exception has been taken to that statement by the officers in the Department of National Defence for Air, who have asked me to bring to the attention of the committee certain information.

There seems to have been some impression created that I was making a general charge

Income War Tax Act

against the administrative officers, but if you will look at page 4363 of *Hansard*, you will see that I used this language:

I did not learn until recently, a few weeks ago, of the practice which apparently has arisen —I do not know how extensive it is—

Mr. Ross (Souris): Fairly extensive.

Mr. Ilsley: —on the part of administrative officers of the air force of "flying in" their income tax—

And so forth. I thought I made it clear that I did not know how extensive it was, and I did not say or intend to say in the remainder of my remarks anything at variance with that statement.

The Department of National Defence for Air have asked me to bring to the attention of the committee the number of administrative officers who had more than 100 hours of flying in the year 1941. Before I do that I want to review briefly the arrangements that were made.

The provision that certain incomes shall not be liable to taxation, including incomes of commissioned officers of the said forces while on active service beyond Canada or on active service in Canada whose duties are of such a character as are required normally to be performed afloat or in aircraft, was contained in the budget of June 24, 1940, and the first official determination of the principle that was to be applied is contained in a memorandum to inspectors of income tax, memorandum No. 67, issued by the commissioner of income tax on December 24, 1940. That lays down the principle that one-half of the average flying hours will be taken as a basis, and that if an officer flies one-half or more than one-half he will be treated as coming within the exemption. That was the rule laid down in December, 1940.

I learn that in September, 1941, the air force notified their officers that the half of the average had been determined for the year 1940 to be 115 hours. The sentence in the routine orders of September 12, 1941, which is relevant, reads:

The service pay and allowances of all officers who flew in service aircraft at the rate of 115 hours or more during the calendar year 1940 were exempt from 1940 dominion income tax. Officers are cautioned that no agreement has been reached respecting similar exemption for 1941.

The rule applicable to 1941 and subsequent years was determined in March, 1942. The memorandum issued by the commissioner of income tax determining 100 hours as the correct figure for 1941 and subsequent years was issued on March 7, 1942, and a few days later the members of the air force were notified by the Department of National Defence for Air that those who flew 100 hours or more in 1941 or in subsequent years would be exempt from income tax, and that is the rule in existence at the present time. The general and routine orders of the Royal Canadian Air Force referring to that bear date March 13, 1942.

The number of officers at Royal Canadian Air Force headquarters and command headquarters on the strength on December 31, 1941, was 1,011, and of those, 48 officers flew more than 100 hours for the year 1941. Of those 48 officers, 13 were on the non-flying list and 35 were on the general list.

It has been thought desirable by the Department of National Defence for Air that this statement be brought to the attention of the committee.

Mr. ROSS (Souris): What is meant by "command headquarters"? Would there not be other administrative officers throughout Canada who came under that ruling?

Mr. ILSLEY: I am not sure about that. I tried to get just that information, as to whether there would be any officers other than those at command headquarters and at Royal Canadian Air Force headquarters who would be considered as administrative officers. I am sorry that I am not in a position to give a definite answer to that question.

Mr. ROSS (Souris): If that is followed up I think it will be found that there are administrative officers at the various fields or centres throughout Canada who come under this exemption, and not only do they come under the exemption but they receive flying pay as well. They get it both ways. I do not think that this gives a true picture. I should like the minister to check up and see if there are not more administrative officers included throughout Canada.

Mr. ILSLEY: I am sorry I am not in a position to argue the matter or to assist my hon. friend. The information which was handed to me was this, and I am passing it on to the committee exactly as it was given to me.

Mr. HANSON (York-Sunbury): I had never heard of this system of "flying in" income tax, and I was inclined to agree with the minister when he characterized it as scandalous. Now it would appear from the limited information which the committee has received from the minister that the practice is not very widespread. That is all to the good, but I think we should have the additional information which the hon. member for Souris has requested.

I thought, when the provision was put in the legislation a year or so ago with respect to those in the air force whose duties required them normally to fly, that it was a fair provision and was not open to very much abuse, if, indeed, to any. I do not see now that the regulation was framed on a true interpretation of the provision of the statute. If a man's duties are not normally to fly, if he is an administrative headquarters officer, he is not called upon to fly every time he goes upon an inspection trip; he can travel by ordinary means of transport as the rest of us. If he flies for the purpose of "flying in" his income tax, as has been stated, of course that is reprehensible. I assumed and the public assumed that the men who went up in the air in the course of their normal duties would be exempt, but no one else. I think the interpretation which has been given to the section by the department goes too far, and it should be corrected.

Mr. DONNELLY: When the average of 115 hours was arrived at, who were put in that class? Were a lot of men put in who do not do any flying at all, or was it only fliers?

Mr. ILSLEY: Just those who flew.

Mr. DONNELLY: Well, it does look to me as though 115 hours is a very low average, because that means only about an hour every three days.

Mr. ILSLEY: It was half the average.

Mr. DONNELLY: The flying officers whom I see think this is away too low, that it should be 500 hours, and that if we put it at about 500 hours we would get only the real fliers. When it comes down to 115 hours almost anybody can qualify. The figure is away too low.

Mr. GLADSTONE: Where an officer in the air force has a substantial personal income outside his remuneration as such, does the exemption apply to the total income?

Mr. ILSLEY: No, simply to service income.

Mr. BENCE: How many of the fortyeight were permanent air force men, and how many have enlisted since the beginning of the war?

Mr. ILSLEY: Does the hon. gentleman mean pre-war?

Mr. BENCE: As I understand it, there is a category of officers in the air force known as permanent air force men. A return was [Mr R. B. Hanson.] brought down in this house in connection with the increase in rates of pay since the beginning of the war, and I was asking how many of the forty-eight came in the category of what are known as permanent Royal Canadian Air Force.

Mr. ILSLEY: I am sorry I have not the information. With regard to the amendments, resolution 7 is an important one, and I have received a great many representations for extension of the list of offsets. The term "offset" may not be the best, but probably it conveys the idea. The original intention was to permit payments on the principal of mortgages on the residence of the taxpayer.

Mr. HANSON (York-Sunbury): Is that intended to include a farm?

Mr. ILSLEY: If the residence is on a farm, yes.

Mr. DONNELLY: Does it apply to the whole farm, or only to the piece of land the farmer is living on?

Mr. ILSLEY: It would apply to the whole farm to which the mortgage applied.

Mr. DONNELLY: A man may be farming a section and a quarter of land, but living on one quarter and having four quarters elsewhere. Does it apply to the four quarters, or only to the one he is living on?

Mr. ILSLEY: If the mortgage were on all the land, the principal payment on the mortgage would be included in the offsets. In those circumstances there would be no way of making a separation.

Mr. PERLEY: But with two sets of buildings and two different mortgages?

Mr. ILSLEY: It would apply to the mortgage on the residence.

Mr. MacNICOL: On the farm on which the residence is built?

Mr. ILSLEY: Yes. As I started to say, it was originally designed that the offsets would be three in number only: payments of principal on mortgages on the residence; payments of premiums on life insurance policies which were in force on June 23, the date of the budget—

Mr. HANSON (York-Sunbury): Prior to June 23?

Mr. ILSLEY: Prior to June 23, the date of the budget; and third, payments into certain pension and superannuation funds. A very large number of representations have been made in favour of the extension of this list. I have decided that some of these representations are well founded and some are not.

4450

Perhaps the most expeditious way of getting what is now proposed before the committee is to read the resolution as redrafted. The amendment will be:

That resolution 7 be deleted and the following substituted therefor:

1. That the total taxes payable by any taxpayer under the normal rate of tax and the graduated rates of tax shall be reduced by the amount paid by the taxpayer in respect of—

(a) payments into any approved superannuation, retirement or pension fund or plan established prior to the 23rd day of June, 1942 (or if established subsequent to the said date, approved by the Minister of National Revenue), and paid by the employee as a term of employment or in connection with membership in a trade union.

(b) premiums on life insurance policies or annuities or other instalment savings contracts of a type which in the opinion of the Minister of National Revenue are such that the premiums cannot be postponed without substantial loss or forfeiture to the taxpayer, provided such policies, annuities or contracts were in force prior to the 23rd day of June, 1942, and one-half of the first year's premium, and the whole of subsequent years' premiums, on life insurance policies of a type not more expensive than insurance on the whole life plan, taken out by the taxpayer subsequent to the 23rd day of June, 1942, provided that the deduction by the taxpayer in any year with respect to the said date shall not exceed \$100.

(c) principal payments on a mortgage or agreement for sale on or with respect to one residential property, provided that such mortgage or agreement for sale was registered and in effect prior to the 23rd day of June, 1942, or, if not so registered, was to the satisfaction of the Minister of National Revenue in effect as an enforceable obligation of the taxpayer prior to the said date.

(2) That in the case of a taxpayer over sixty-five years of age with income less than \$5,000, the total taxes payable under the normal rate of tax and the graduated rates of tax shall be reduced by the refundable portion of the tax as provided for in resolution 6 above, and the said refundable portion shall be eliminated accordingly.

As regards clause 2, the income figure previously was \$3,000.

The reasons for this amendment have already occurred to hon. members who have listened to it as it has been read.

With regard to the pension plan payments, it was considered unfair to limit the offsets to those already established, and it was considered desirable to bring in pension plans of trade unions. With regard to life insurance policies, it was deemed advisable to add annuities or other instalment saving contracts, provided that the premiums could not be postponed without substantial loss or forfeiture to the taxpayer.

Mr. HANSON (York-Sunbury): That depends on the contract.

Mr. ILSLEY: Yes. They will not all qualify by any means. If the payments can be dropped and resumed again without substantial loss or forfeiture to the taxpayer, they will not qualify.

Mr. HANSON (York-Sunbury): Does the minister regard that as a workable proposal?

Mr. ILSLEY: Yes, completely.

Mr. ROSS (St. Paul's): Why limit it to the whole life plan?

Mr. ILSLEY: It is not limited to the whole life plan with regard to existing contracts.

Mr. HANSON (York-Sunbury): But new contracts.

Mr. II.SLEY: With regard to new policies, I do not think we should go the whole way urged by the life insurance companies and agents and by certain members of this house, because by legislation we would be giving a very great impetus to the sale of life insurance, which would be in a sense class legislation.

Mr. HANSON (York-Sunbury): Would that be true if the amounts were limited?

Mr. ILSLEY: That is what we have done.

Mr. BENCE: Would you consider the face value of the policy instead of the premiums?

Mr. ILSLEY: I wish hon. gentleman would not be so much interested in this, but just moderately interested. On the other hand, there is much weight in the argument used in this house that young persons getting married should be permitted to insure their lives to a moderate extent and have their payments qualify as offsets. Therefore this provision, which is a restricted and limited provision, permits new policies to qualify, provided that they are not more expensive than the ordinary life plan, provided that the offset in a particular year shall not exceed \$100, and provided also that only half of the first year's premium may be used as offset.

Mr. HANSON (York-Sunbury): That is, the agent's commission is out.

Mr. ILSLEY: Otherwise, what happens is this. Ordinarily the agent gets fifty per cent, and in the first year instead of getting an alternative form of saving we would be getting a payment about half of which would be saving, inasmuch as it would go to the insurance company, while the other half would be simply a transfer to another taxpayer who might be just as much a spender as the person who paid it. Therefore we felt we should limit the offset in the first year to one-half the first year's premium. Mr. HARRIS (Danforth): Should not that be "premiums"—plural? There might be several policies.

Mr. ILSLEY: The limit is \$100. With regard to mortgages and agreements of sale, the registration date has not been insisted upon as the only proof that the agreement of sale or mortgage was actually entered into. The Minister of National Revenue is given power to permit those mortgages and agreements of sale, not registered prior to the 23rd day of June 1942, if he is satisfied that they were in effect as enforceable obligations of the taxpayer prior to that date.

Mr. HANSON (York-Sunbury): Mortgages are usually registered, but many agreements of sale are not.

Mr. ILSLEY: Yes, although there is sometimes a delay in registration. But whether the mortgage is registered or not is determined by the mortgagee and not the mortgagor, and to that extent the resolution as drawn put the mortgagor in the hands of the mortgagee not for the future, because it does not apply to the future, but with respect to the past.

The second part of the resolution I read raises the limit for elderly taxpayers from \$3,000 to \$5,000. It was found that quite a number of persons over sixty-five years of age are rendering war service and doing war work and in receipt of incomes in excess of \$3,000. Assuming that the compulsory savings of such persons are not available, or will not be available to them because of death or something of that sort, it was found that it would pay them to give up their job.

Mr. HANSON (York-Sunbury): That is not a very high ground to put it on.

Mr. ILSLEY: That is the second time we have done that, and I cannot remake human nature.

Mr. ROSS (St. Paul's): With reference to the question of future life insurance policies, the minister says he does not want to have any discrimination, but to my mind there is discrimination when you limit the amount of premiums which might be paid by the policyholder on future policies taken out. Many young people, and older people as a matter of fact have a regular budget in regard to life insurance policies, and I do not see why they should be stopped from completing their budget. In fact, they are continuing the budgets which they have. After all, it is far better for them to have life insurance policies which will protect their dependents after their death than just a few dollars in the way of savings under the budget plan. Not only that, but the money which they pay to the life

[Mr. Ilsley.]

insurance companies is available to the government for borrowing. All life insurance policies issued to-day contain a war clause. That is an important factor that should not be lost sight of. That war clause provides that if the policyholder is killed on active service or in the performance of duty on service in this country even, the beneficiary is disqualified from collecting. The \$100 does not do anything for him, because if he goes on active service on the coast, where he is still subject to income tax and still has to pay extra premiums, he has to pay for the war risk, so that the \$100 will not cover it. I see no reason why there should be discrimination between those who have not completed their budget for life insurance and those who want to finish their budgets for that purpose. It is discriminatory all the way through.

There are many ideas abroad about how much agents get. I suggest first of all that on ordinary life insurance policies with the regular companies the largest commission paid is fifty per cent. I suggest to the minister that before this amendment is agreed to, because of the impetus which it will probably give to the sale of life insurance, some consideration ought to be given to the commission which is paid to the agents. Instead of fifty per cent a smaller rate of commission might be paid. It is far better for a man to have life insurance than to have a few dollars saved which will be returned to him later. If the members of his family are not protected by life insurance the government will have to take care of them. The legislation we have now is discriminatory; it hits at the whole question of saving-not compulsory saving, but saving.

As I have to go to another committee I should like to be permitted to say something which may be a little out of order at this point. It is in connection with the question of deductions on account of illness. As the minister probably knows, there is an organization known as Associated Medical Services, which to my mind has done a very fine job. It is a contributory scheme. There is a monthly payment starting with \$2 for the head of the family, \$1.50 for the wife, \$1.25 for the first child and \$1 each for the rest of the children. Some arrangement should be made for an allowance in respect of payments made under that scheme. What actually happens is that if illness strikes some member of the family, and he is sent to the hospital under this scheme, he gets what is called semi-private attention. There are no bills for the patient to pay. As a matter of fact under this scheme a baby can be brought into the world for about \$30. That is something I know, because I have a grandchild. This is a splendid scheme for people of the middle classes. But under the budget provision they will not be able to deduct anything from their tax in that regard. The matter should have careful attention with a view to giving exemption to people who subscribe to this plan. In the old days a family might go along for many years and all of a sudden be struck with a catastrophe and have a tremendous amount of doctors' bills to pay. Under this plan, that can never happen; a man pays for his medical services each month, and that is all he has to pay. I suggest that the taxpayer be allowed as an exemption the amount he pays month by month, or if that is not possible, the Associated Medical Services should be allowed to render him a bill on which he could get a reduction in his income tax.

Mr. HARRIS (Danforth): Resolution 7 to my mind is a very necessary provision. It takes care of some of the complaints which naturally arise in regard to taxation pro-All across the country those who posals. have objections to urge make them known, but rarely do those who are prone to do a little research try to find some way by which the tax can be increased so that the minister may get a little more revenue. That perhaps is a failing of our present civilization. I am strongly of the opinion that at this very serious time taxation should be on a basis similar to the old-fashioned freight rates. All that the traffic will bear should be put on our Canadian people-all of us, at this time. In the case of freight rates there is competition and waterborne traffic, and they have to soften the rates, but the Minister of Finance has not much competition in the field of his administration.

With that basis for my remarks I get on the band wagon with everyone else and inquire with regard to certain deductions. But I ask the minister to realize, along with that, that I am thinking of where else he can get revenue, and I bring to his attention a matter which to my mind is very serious. I should like to see this resolution stand until we reach resolution 26. I ask this because I want the minister to give consideration to a few observations that I am going to make with regard to two other matters which should be studied if of necessity we must have certain deductions made. The first is a matter that has already been more or less discussed; whether or not another provision is added to resolution 7 is something that can be taken under advisement.

Much has been said about the married woman without children or dependents who during war time finds herself out earning money as well as her husband. Alongside of 44561-281

Income War Tax Act

that I should like to put the position of the married man with anywhere from two to half a dozen children who is doing his duty to posterity and the country. You do not find him asking for any particular exemption because his wife is not able to go out and earn money. If a married woman has no children, is not doing much for the country, and goes out and earns money, perhaps she should bear some of the cost of the country, and if you are going to make any deduction on her behalf consider the housewife who is raising several children, and the man who is providing the bread and butter for that household. That is the first matter which I would ask the minister to consider, if he feels disposed to amend this clause.

The second point also I consider important. The citizen who, perhaps through his own diligence and application to business and hard work and initiative in a country such as Canada, where opportunities are open to one and all, when he gets to the years fifty to sixty finds himself with a substantial estate, thinks of those he is going to leave behind. The average man wears out faster than the average woman. There are more widows in Canada than widowers. A man likes to think he has left his family with some security. For example he might feel disposed to leave his wife as executor and administrator of the estate and provide her with an annuity of \$10,000 a year. Say the wife is about sixty years of age. What condition obtains if there is an annuity of \$10,000 a year, and the man passes on, leaving his wife to administer the estate? I will send these figures over to the minister. I thought he might give some consideration to the point I am about to raise, before we reach resolution 26, to see if there is any way of meeting the case I am going to cite. In his will a man provides for an annuity of \$10,000 a year. The first charge or assessment against that annuity, of course, is the income tax. I have had my figures checked by the department, though the chief has been so busily engaged in the house that I have not had an opportunity to submit them to him. Subject to this reservation I submit these figures for the minister's consideration. As I read the act, the tax would amount to \$4,575. For succession duty purposes the value of the wife's life interest would be \$109,750, on which the dominion succession duty would amount to \$7,808. In the case of the provincial succession duty, in Ontario at least, the value of the wife's life interest would be \$136,500, on which the provincial succession duty would amount to \$14,300, a total in succession duties of \$22,108. Under the statute as it now stands, these succession duties are payable over a four

4453

year period; so that the widow, in administering the estate, divides this amount of \$22,108 by four, which means that she will have to pay \$5,527 annually in succession duties. This is a case of the type which is very common throughout the country, where the capital is maintained intact and on the decease of the wife the children become the beneficiaries. So that the widow finds that she must make an annual payment for the first four years after her husband's death of \$5,527 in succession duties, plus \$4,575 in income tax, a grand total of \$10,102, from an income of only \$10,000. In other words she has to go out and rustle to find another \$102 in addition to her income, in order to meet her requirements each year during that four year period.

Let us look at a case where the estate is larger; for example, where a life income, not an annuity, of \$16,000 is provided for, and the estate totals \$400,000. We may figure that the interest on the investments made by the husband would average 4 per cent, so that the income would total \$16,000. In this case the income tax would amount to \$8,025; the succession duties, payable over a four year period, would amount to \$25,668 to the Ontario government and \$18.749 to the federal government. making a total of \$44,417. Dividing this amount by four would give an annual payment of approximately \$11,000. When you add the income tax of \$8,025 it will be seen that the annual payment during the first four years would amount to \$19,129, while the widow would have only \$16,000 at her disposal, so she would be short \$3,129. I realize that the principal remains, but if the principal is dissipated of course the value of the estate is reduced, and to that extent the children, the ultimate beneficiaries. suffer.

I bring up these matters at this time because these deductions are made under resolution 7. I am not asking for any additional deductions in these cases; I am not asking that estates made up of assets amounting to a quarter or a half million dollars should be relieved of the necessity of making a proper contribution to the dominion treasury. Just in passing I might say that I am of the opinion that it might be bad business to leave an estate of \$400,000 to four children, but there must be hundreds of wills which were drawn up in days gone by all over Canada, disposing of estates running over \$100,000, and I am drawing particular attention to the present provisions of the income tax laws because they are going to place the widows of these people in a very serious position. Through the requirements of the succession duty acts, plus income tax, these widows are going to find themselves owing the government money each year during

the four year period following the decease of the testator. Through this sounding board I want to say to the people of Canada: Check very carefully the wills you have made in days gone by. Check them in the light of the present succession duties, not only those obtaining in your own province but those being collected by the dominion government; and check them particularly in the light of the income tax regulations now prevailing. Make up your minds that you must distribute a good part of your capital in order that your estate may be able to pay to the treasury the moneys which will be demanded, and also in order that your dependents, and particularly your widow, may be provided for. As it stands now a person with an estate of \$100,000, who made a will perhaps ten years ago on the basis of the taxation prevailing at that time, may find to-day that his widow will be left destitute and entirely without income, if she is to carry out the law as it stands at present.

I am bringing this information to the attention of the minister in order that he may check it. I should like to see in resolution 7 some provision which would permit of the distribution of capital under wills and similar documents drawn up prior to the imposition of the present income tax regulation. If that is not done, the minister will be faced with a large number of cases of distress; and as I read the income tax act amendments he will not have any discretionary power either to help these families or to help himself. He will find the widow, the administrator of the estate, in a bankrupt condition, and he may not be able to collect the full measure of the succession duties and income tax, because the money just will not be there.

I do not know whether the minister is prepared to answer this point at the moment. If he is, well and good, otherwise he might feel disposed to let resolution 7 stand until a later stage of this discussion; for I am satisfied that it would be in order to discuss this matter under resolution 26, which is a review of all the income tax regulations.

Mr. BENCE: I should like to support the request which has been made that this section should be allowed to stand, until at least after the noon recess, so that we may have an opportunity of considering the important amendments that have been presented by the minister. I believe most of the points I had noted down are covered by these amendments, but I am not certain, and I should like to have an opportunity of reading them before discussing the resolution.

Resolution 7 stands.

4454

[Mr. J. H. Harris.]

8. That the refundable portion of any tax exigible under any enactment founded on these resolutions shall be repaid to the taxpayer or to his legal representatives, after the cessation of hostilities between Canada and Germany, Italy and Japan, and in the following manner: The refundable portion of the tax in respect of income of 1942 shall be repaid at such times and in such instalments as the governor in council may determine but not later than the end of the second fiscal period of the government commencing after the said cessation of hostilities; the refundable portion of the tax in respect of the income of 1943 shall be repaid at such times and in such instalments as the governor in council may determine but not later than the end of the third fiscal year of the government commencing after the said cessation of hostilities and so on in respect of the refundable portion of the tax on income of successive years.

The date of the cessation of hostilities shall be deemed to be the date of a proclamation issued under the authority of the governor in council declaring that, for the purposes of the said refund the war no longer exists.

Mr. HANSON (York-Sunbury): The rate of interest to be paid on the refundable portion of the tax is 2 per cent. I believe the minister has partly anticipated the question I intended to ask when he says that the usual going rate on short-term obligations is 2 per cent.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I am not going to quarrel with that; I think perhaps the minister is right. The trouble is the indeterminable time of repayment. It seems to me that the time should be made a little more specific. Has the minister given consideration to that? The resolution reads:

That the refundable portion of any tax exigible under any enactment founded on these resolutions shall be repaid to the taxpayer or to his legal representatives, after the cessation of hostilities between Canada and Germany, Italy and Japan, and in the following manner:—

I assume that that means after the cessation of all hostilities, not just after the war with the German reich or with Japan.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): The resolution continues:

The refundable portion of the tax in respect of income of 1942 shall be repaid at such times and in such instalments as the governor in council may determine but not later than the end of the second fiscal period of the government commencing after the said cessation of hostilities;—

That leaves a large discretion with the government, but I suppose they have to have it. The resolution continues:

-the refundable portion of the tax in respect of the income of 1943 shall be repaid at such times and in such instalments as the governor in council may determine but not later than 44561-2812

Income War Tax Act

the end of the third fiscal year of the government commencing after the said cessation of hostilities and so on in respect of the refundable portion of the tax on income of successive years.

Is it necessary to retain this money so long? If a man who has a refundable credit dies, his estate would be held up for at least two years after the cessation of hostilities. Provision should be made to cover such cases. This money might be necessary to pay the succession duties on an estate. This money would be taxable for succession duties by both the province and the dominion. Could there not be a little more generosity with respect to the return of the money in cases of need? I realize that the amount to the credit of any individual taxpayer will not be very large, the highest amount in any one year being \$1,000. If it goes on for, say three years, the amount would not exceed \$3,000. Why should it not be possible to have a refund made sooner in cases of hardship or necessity?

Mr. ILSLEY: There might be no objection to a provision that it shall be refunded in the case of death. Whether that should be discretionary with the governor in council or provided for absolutely can be considered.

Mr. HANSON (York-Sunbury): I do not care how it is done. It is only the principle I am concerned with.

Mr. DIEFENBAKER: On page 45 of the plan of Lord Keynes it is stated that provision should be made for the release of part of the amount of the compulsory savings for payment of death duties, and also for the purchase of new life insurance or endowment policies, but particularly for the release of such amount as may be necessary in the case of temporary emergencies to meet illness, unemployment or special family expenses. Taxpayers, particularly those in the lower income brackets, might very well find themselves unable to meet certain emergencies. The leader of the opposition has mentioned the difficulty that might arise from the fact that repayment is not to be made until after the war, and he mentioned that estates could not be wound up before this money had been received. I suggest that provision be made that in the case of the death of a single person there be a return to the estate of sufficient money to cover funeral expenses. Many people invest in war savings certificates because they know that should they find themselves in difficulty they will be able to cash them. I do not think many of these certificates have been cashed, but the fact that they can be adds to their attractiveness. I suggest that there be some amendment to

Income War Tax Act

provide that the individual may withdraw part or all of these forced savings in order to meet certain emergencies. I realize that there might be some difficulty in carrying this out, but possibly the power could be placed in the hands of the minister and the emergencies could be designated by statute. If that were done I think it would go a long way toward meeting objection to this legislation. The government based this system upon the Keynes plan, and, according to the author of that plan, in order that it may be workable there should be a provision for payment to meet unforeseen occurrences.

Mr. ILSLEY: My understanding of the Keynes plan is that it recommended larger payments to the treasury than we are providing for under this budget. Of course the larger the compulsory savings are, the more important it is to provide against hardship in emergencies. The amounts here are so small that a large part of the reason for making provision for emergency disappears. When the British government adopted the principle of the recommendations they did not make provision for the return of money in this, that and the other emergency. I doubt whether we should do it here. We could go so far in trying to meet every possible emergency in the lives of individuals that we would forget the state. At the moment the state is the important unit, and the aim of the government is to take this money away from the people and keep it until such time as it would be better for the nation for them to spend it than it is at present. I do not think we should be too meticulous, when the amounts are comparatively small, in attempting to meet every emergency that may arise.

Mr. DIEFENBAKER: It is not a question of being too meticulous. The government is asking the people of Canada to make financial sacrifices never before equalled in the history of this country. The people are willing to do so, and all I am asking is that in case of emergency, consideration be given to the welfare of the individual to the end that no greater harm shall be done to the individual than is absolutely necessary to carry out the desires and wishes of the Canadian people.

With a view to having the whole picture I am going to ask the minister what proportion of the war savings certificates which have been voluntarily purchased by the Canadian people, have in fact been cashed. This would indicate whether any advantage is being taken by the people of the opportunity that is available to them. I am sure that no one in Canada, realizing what the conditions are,

[Mr. Diefenbaker.]

would endeavour to take advantage of the government were it to make such provision as I have indicated for emergencies that may arise.

Mr. ILSLEY: I shall have to get that information.

Mr. MacNICOL: The last sentence of resolution 8 reads:

The refundable portion of the tax in respect of the income of 1943 shall be repaid at such times and in such instalments as the governor in council may determine but not later than the end of the third fiscal year of the government commencing after the said cessation of hostilities—

The fiscal year of the government ends on March 31. Suppose a proclamation bringing hostilities to a close is issued on April 15, 1945. Would the three-year term then begin after March 31, 1945, or March 31, 1946?

Mr. ILSLEY: The first fiscal year after the cessation would be April 1, 1946.

Mr. MacNICOL: It would be after April 1, 1946, that the three-year term would begin?

Mr. HANSON (York-Sunbury): With respect to the date of cessation of hostilities, this provision would appear to be different from that contemplated under the War Measures Act. Should not that be criterion? The date of the cessation of hostilities is pretty well established in the War Measures Act and in the minds of the Canadian people, and I would have thought that that would be the proper date to use in this legislation. There would be certainty then. What is the objection to that?

Mr. ILSLEY: The objection is that the date fixed under the War Measures Act does not necessarily coincide with the cessation of hostilities. The order in council passed under the War Measures Act sets the date of the cessation of hostilities for the purposes of the War Measures Act, which may be considerably later than the actual cessation of hostilities, as it was in 1918. The armistice took place on November 11, 1918, but the War Measures Act continued to operate until 1920, I think.

Mr. HANSON (York-Sunbury): Until after the peace treaty.

Mr. ILSLEY: It was not necessarily related to the signing of the peace treaty, if my recollection is correct, although I may be wrong. I have had occasion to give consideration to this problem twice before, one of the occasions being the introduction of the War Exchange Conservation Act. In that act is to be found a section something like this, giving the governor in council power to fix by proclamation the date of the cessation of hostilities for the purposes of the War Exchange Conservation Act. That date may be different from the date set under the War Measures Act. The other occasion was in drawing up the agreements with the provinces. There was considerable discussion between the provincial premiers and treasurers and myself as to what should be done. Suggestions were received, and finally a provision for fixing the date of the cessation of hostilities was drafted.

Mr. HANSON (York-Sunbury): That is another date, apart from this one and the one fixed under the War Measures Act?

Mr. ILSLEY: Yes. The provinces all have an interest in the date, and provision is made for calling a conference with the provinces to fix the date if there is any difference of opinion regarding it.

Mr. HANSON (York-Sunbury): There could not have been much unanimity about it.

Mr. ILSLEY: It was important. No one can tell what the conditions in the world will be, and opinions will possibly differ as to the date of the cessation of hostilities. We did not think the provinces should be put in the position of being in the hands of the dominion. The dominion might wish to continue the agreements, or to terminate them, and therefore might arbitrarily fix the date too early or too late. Provision was therefore made for the settlement by conference of any differences of opinion between the dominion and the provinces.

Mr. HANSON (York-Sunbury): Who is going to settle it if you cannot agree?

Mr. ILSLEY: The final decision is left to the dominion.

Mr. HANSON (York-Sunbury): It must be.

Mr. MAYBANK: Is it the clear intention of the government, in connection with the refundable portion of the tax, to deny to the individual the ordinary right of assignability? Will the refundable portion be assignable or, on the other hand, will it be similar to war savings certificates, which may not be assigned? I do not know whether these refundables, if they were assignable, would be a very good purchase, but it does seem probable that as time goes on there will grow up a traffic in them. I know that in no case would the government be bound by such an assignment. If John Smith wants to pay off a \$240 debt and assigns to me refundables to that amount, the government cannot be bound by that contract. I cannot come in and file the assignment and ask the government to pay the money. But as between

Income War Tax Act

John Smith and me a binding agreement can be made, unless such a contract be clearly against public policy. I can make a contract with John Smith under which he will undertake, for the payment of the debt, to get this money when the proper time comes, and if he does not fulfil the contract, I can sue him for damages. I would have an enforceable contract. I might not have something on which I could realize-that is not the point -but the contract between John Smith and me would be enforceable so far as the judgment was concerned. Again, I could take some sort of pledge, or perhaps a bond, from him to ensure fulfilment of his contract of assignment. It would seem to me that the only thing to prevent that will be some clear declaration, if we can make it, that the assignment of these refundables is definitely against public policy; then the courts will not enforce any such agreement as I have been referring to. This will run on now for several years, and it ought to be clear whether it is non-assignable because of its being in the interests of the country to have it so.

Mr. ILSLEY: These are not to be assignable. These certificates will be like war savings certificates, not transferable.

Mr. MAYBANK: How is that to be prevented?

Mr. ILSLEY: Well, if trafficking in these certificates develops in such a way that the holders of them are being taken advantage of, it might be necessary to take some steps or make some statement. I should not like to anticipate that so far in advance.

Mr. JACKMAN: Are you going to issue them in bearer form?

Mr. ILSLEY: No, they will not be bearer certificates. They will be receipts which will be redeemable by the government, but the government will owe the person himself and no one else.

Mr. HANSON (York-Sunbury): They will be some form of evidence of indebtedness?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): The minister has not yet determined what form they will take.

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Will they not be as between two parties assignable in law unless it is prevented, but be a nonenforceable assignment against the crown? I think that would be a correct statement of the position.

Income War Tax Act

Mr. MAYBANK: They are unenforceable against the crown in any event.

Mr. HANSON (York-Sunbury): I do not see how you can prevent their being assigned.

Mr. ILSLEY: A chose in action is not assignable if it is unenforceable against the debtor.

Mr. HANSON (York-Sunbury): Oh, yes; a chose in action is always assignable. Whether it is enforceable is another question altogether. But a chose in action is assignable as a general principle unless there is some statutory provision which prevents it.

Mr. MAYBANK: I think the minister will agree with this. We are speaking of this being a chose in action—this particular certificate or receipt or whatever it is. There is nothing to prevent John Doe from entering into a contract with me under which at the appropriate time he will ask for this money as evidenced by this chose in action.

Mr. ILSLEY: Right.

Mr. MAYBANK: Unless it is definitely against public policy for him to make that contract with me, I can, by appropriate action in the court, enforce that contract. I do not know whether I can get a decree of specific performance; it would seem more likely that what I would get would be a judgment for damages if he did not keep the agreement.

Mr. ILSLEY: In other words, you have no security.

Mr. MAYBANK: In other words, then, as far as we have gone, it is enforceable. I mean, as soon as you can get a judgment of the court you have enforced your contract. Now, getting away from the law and looking at the facts, you may not be able to enforce it because the fellow may not have anything, but that does not alter the fact that you have enforced your contract. Many a man enforces a contract to the point of getting a judgment; he has the very best thing that it is possible to have wherewith to get money, so it would appear. The only thing which would prevent that sort of proceeding would be some binding declaration by this government-even though property and civil rights are involved I am inclined to think it can be made by this government-that it is definitely against public policy to make assignments of these or traffic in them in any way. Again, a contract of this sort can certainly be made: with the same man I can make an agreement such as I have mentioned and I can take a mortgage upon his home. That mortgage will contain a provision that unless he carries out that contract his mortgage will [Mr. R. B. Hanson.]

be null and void. Likewise I can get other kinds of bonds from him. There is a great variety of ways in which I can deal with this man, and unless it is definitely against public policy I can have my contract enforced in court. All I want to do is to get the point settled.

Mr. HANSON (York-Sunbury): Well, the minister made it quite clear that as far as the government is concerned they are to be on the same footing as war savings certificates. I do not know that we can go much further than that. They will not be any good as collateral security. I think you have to deal with the matter in a practical way. The minister has made that statement, and so far as I am concerned I am not going to pursue it any further. But I want to ask him whether the refundable portion of the income tax, and also of the excess profits tax will be shown on the books of the nation as part of the net debt of the nation. As these credits are established, the obligation to repay increases, and the amounts should be shown as part of the general debt structure. That will be done, I assume?

Mr. ILSLEY: Yes.

Mr. DIEFENBAKER: One question arises out of what the hon. member for Winnipeg South Centre said. What would be the position of a person who went into bankruptcy and had a considerable amount of refundable moneys in the hand of the minister? Is any provision being made for a situation such as that? If not, there will be considerable difficulty should an assignment be made.

I should like to have a statement from the minister in reference to a suggestion I made a while ago, that in certain emergencies a person should be permitted to withdraw from the department a certain amount of the enforced savings.

Mr. ILSLEY: The administrative difficulties would be very great. See the position the government would be in: it would have to set up some kind of welfare bureau to determine when a person ought to have his money back, and when he should not. That, in my judgment, is going too far. But I should not like to say that no consideration will be given to it.

Mr. DIEFENBAKER: What about the question regarding provision being made in cases of bankruptcy?

Mr. ILSLEY: I do not know. I shall have to think about that. These are not assignable. Somebody will have to wait until the

4458

time comes for the money to be returned. Whether that goes to the assignor or to the official assignee I do not know.

Mr. HANSON (York-Sunbury): They would have to prove title. I do not think that the minister can undertake to legislate for every conceivable contingency, although bankruptcy is one of the probables. I should think that in the legislation the ministry might take discretionary authority to deal with a necessitous case on its merits. If that is done, the minister will be open to numerous applications, but perhaps it will be justified by the circumstances of the applicant.

The hon. member for Queens-Lunenburg has just drawn my attention to another aspect of this matter. Suppose a company under the Excess Profits Tax has \$100,000 to its credit. If I understood the discussion which took place between the minister and one of the hon. members from the west, in which the latter read from a statement of an association of English chartered accountants, they do not in Britain list that in the company's balance sheet, as an asset of the company. I would have thought it was a correct item of asset in the company's balance sheet, but it may be that there is some limitation over there which we have not in our statute here. Is it not the intention of the government that this should be not only a credit of that company in the books of the nation, but an asset of the company which should be revealed in its balance sheet? On the assumption that it is \$50,000 or \$100,000, what is the effect of that credit, standing in the books of the nation and in the balance sheet of the company, with respect to earnings? Will it be taken into acount in respect of earnings under the income tax act as capital in reserve? What is the position there? Perhaps the hon. member would elaborate his position. It is an important point that ought to be cleared up.

Mr. KINLEY: I have only one thought in mind, and that is that it be established as an asset of the company beyond peradventure. A company might have paid \$100,000 or \$50,000 in refundable taxes and it is important to know whether that is a real asset. There is this feature about it. The income tax payer gets 2 per cent on his money; the industrial company gets no interest on its money. It is important to know what your assets are in order to establish the stability of the company.

Mr. JACKMAN: The suggestions of the member for Lake Centre (Mr. Diefenbaker) are worthy of consideration. I agree with the minister that we do not want another welfare bureau set up, but there are certain points that might be considered in order to

Income War Tax Act

stimulate savings, which the minister is so anxious to get. The minimum savings requirement is really an alternative for those who will not voluntarily subscribe to war savings certificates, and so in a measure the two are on all fours. The remarks I have to make refer particularly to war savings certificates, but by the same token they have reference to the minimum savings requirement. Industrial insurance is a very big factor in Great Britain and the United States, and to some extent in Canada. Very large companies sell insurance policies for a few hundred dollars, sending their agents around every week to collect a few shillings or so, and that is similar to the method we have of subscribing to war savings certificates by means of factory payroll deductions. I read in the Economist six or seven years ago that in the past the cost of operating these industrial insurance policies has been, even in the most highly regarded companies, as high as 50 per cent of the gross premium. It seemed an absurd situation for the protection afforded, but the appeal which was made to the workers, and to which they responded, was that they would have enough money to ensure themselves decent burial. Hon. members may not realize, because of their own situation, just what is the fear of a person in humble circumstances of not being properly taken care of on his passing from this earth, but it is a very real fear on the part of a great many people, and that was the most compelling reason for the subscription to this industrial insurance, which amounts in the aggregate to hundreds of millions of dollars.

I believe a forcible appeal could be made through the war savings certificates and carried into the minimum savings plan, if they were made cashable on a person's death to pay for funeral expenses. There are perhaps other emergencies which might entitle them to be cashable. This may mean setting up a certain amount of welfare machinery in relation to the war savings certificate campaign which would also deal with the minimum savings requirement item, but it might be worth while to stimulate selling. It would result in raising money for the crown. We realize that war savings certificates are of definite short-term maturity, yielding 3 per cent, tax free. The minister, as a gesture towards having these made available for a person's death costs, might have a renewal clause inserted at the same rate or at a rate to be fixed at the time of maturity of the present term, extending it a further ten or fifteen years, or for whatever period might best suit the case. If there is anything to be learned from the selling of industrial insurance

policies, the same principle could be used in the selling of war savings certificates, carried through to the minimum savings requirement plan.

Mr. ILSLEY: The suggestion will be considered. The war savings certificates are redeemable after six months now. If the holder dies his estate gets them.

Mr. JACKMAN: I believe that in the dominion there is provision for civil servants to take advantage of some fund to which they subscribe whereby they get a stated sum, \$500, payable within twenty-four hours after the death of the contributor. Death is one of the great emergencies requiring immediate funds. Funeral expenses must be taken care of. The necessity arises in far more cases than those of us who enjoy middle-class circumstances realize unless we get into a humble riding, such as a part of mine is.

Mr. ILSLEY: It would be impossible to set up an organization that would be prepared to cash war savings certificates within twenty-four hours after the death of a person. It would involve the establishment of a large number of local offices.

Mr. HANSON (York-Sunbury): It could be done through the banks.

Mr. ILSLEY: I did not answer the leader of the opposition and the member for Queens-Lunenburg, who asked whether the returnable part of the excess profits tax will undoubtedly be an asset of the company. Subject to the one qualification that it is not to be negotiable, not to be assignable, or transferable, it is in every respect an asset. I have tried to make that abundantly clear. What the chartered accountants would say about it I do not know. I do not know why they do not consider the refundable part in Great Britain an asset.

Mr. JACKMAN: Certain conditions have to be specified in Great Britain and therefore it is a contingent asset.

Mr. ILSLEY: That is what I surmised. The member for Red Deer, speaking the other night, referred to an editorial in a chartered accountant's magazine in England which said that chartered accountants had decided not to regard the refundable portion there as an asset, and I felt that there must be conditions there not in existence here. This matter was carefully considered and I dealt with it fully the other night. Our first intention was to attach conditions, but of course the more conditions one attaches the less incentive there is, and I felt that we would have to stand on one principle or another. Either [Mr. Jackman.] this was the company's money or it was not. I have tried repeatedly to make it clear that this 20 per cent is the company's money.

Mr. HANSON (York-Sunbury): There is one other condition, and that is that there shall be no indebtedness to the crown. That does not interfere with the question whether or not it is an asset. That goes to the question of refundability.

Mr. SHAW: As I pointed out the other evening, I believe the explanation given in the editorial in the chartered accountants' magazine was to the effect that when the war is over the increased debts would necessitate parallel taxes which would increase the liability of a corporation to such an extent that this returnable part of the excess profits tax would be offset by that increased taxation. That is the only explanation they gave. Apparently the accountants of this country are going to regard the refundable part of the excess profits tax in the same light.

Mr. ILSLEY: I listened as carefully as I could to the passage which the hon. member read, and I did not take the meaning from it which he ascribes to it. I do not think that is what it means.

Mr. NICHOLSON: I was disappointed to hear the minister say that consideration is to be given to the suggestions made by the leader of the opposition and the hon. member for Lake Centre to the effect that under some circumstances it might be possible for war savings certificates and compulsory savings to be made available at death or in the event of other emergencies. The minister should make it clear that this money will not be available to the individual until the war is over. I am disturbed by the large number of complaints made by hon. members when the minister proposes to change our normal way of living. It would be very easy if we could carry on as in peace time and still fight the kind of war that has to be fought. We must remember that ten years ago Hitler started to make drastic changes in the way of life of the people of Germany, and they have now become hardened. We have to make the changes very suddenly. This is one of the methods the minister is using to prevent inflation. It is unfair to ask the state to take the responsibility of looking after funerals, which would amount to making provision for the cashing of war savings certificates in the event of death; because everyone who had war savings certificates would naturally think that death in his family was an emergency. The minister should make it definite now that these amounts that the Canadian people are not going to be allowed to spend at the present time will not be available to them until the war is over. I hope that consideration will be given to introducing changes so that the proceeds of war savings certificates will not be made available for the purchase of consumer goods while the war is on.

Mr. ILSLEY: I am disposed to agree with the hon. gentleman who has just spoken. He has the same approach that I have. The only reason I said consideration would be given is that I hate to take the responsibility, when serious suggestions are made, of abruptly dismissing them and saying I will not give them consideration.

Mr. HANSON (York-Sunbury): These proposals are not made for the purpose of confusing the issue. They are real cases.

Mr. ILSLEY: Some questions were asked about war savings certificates and redemptions. Sales to December 31, 1941, amounted to \$110,890,104. Sales to June 30, 1942, amounted to \$154,242,804. Six months has elapsed since the sale of the war savings certificates making up the former figure. Therefore they are subject to redemption after June, 1942. Redemptions up to June 30, 1942, have been \$8,701,488. The percentage relation of that figure to \$110,890,104 is 7.85. The sales during 1942 were not subject to redemption until after June, 1942.

Resolution agreed to.

9. That the refundable portion of any tax paid by the taxpayer in the twelve months preceding the first day of September in any year shall bear interest at the rate of 2 per centum from that date and shall be payable when the refundable portion is repaid.

Mr. HANSON (York-Sunbury): The rate of interest is 2 per cent. The minister previously stated that the rate was based on the going value of short term money. The rate on war savings certificates is substantially better, and they are refundable and not taxable.

Mr. ILSLEY: They run for seven and a half years.

Mr. HANSON (York-Sunbury): But after a certain period they bear some interest.

Mr. ILSLEY: At a lower rate.

Mr. HANSON (York-Sunbury): That may be the answer.

While I am on my feet I should like to ask a question that is not related to this resolution but which I should like the minister to take into consideration and answer some time before these resolutions are reported. What

44561-282

Income War Tax Act

progress has been made in fixing standard profits for depressed industries? I have been told that the board of review has not adjudicated upon even one-third of the cases before it. If that be so, should not some additional agency be created to speed up the work? Predicated on that statement the situation is very disturbing to those concerned. If there are several hundred such cases and they do not know what to do until their standard profits are determined, it is unfair to them. The question may be based on an entirely erroneous impression, but I should like to have some statement as to the position at a later stage.

Resolution agreed to.

10. That where, under any existing or future contract or arrangement, a capital or principal sum is payable by instalments or otherwise, without providing for interest, or with interest at a nominal rate only, the minister in his sole discretion may by regulation or otherwise determine what part of the capital payment represents interest, which shall be deemed to be income for the purposes of this act;

Mr. HANSON (York-Sunbury): This provision seems to me to vest an arbitrary authority in the minister. In the case of a mortgage it would depend, I should think, on the terms of the contract. In the old-fashioned mortgage that we country lawyers used to draw there was no amortization scheme or anything. One contracted to hire say \$10,000 at 5 or 6 per cent, payable half yearly for a specific period of time. There no difficulty would arise. But under the very elaborate system of mortgages that the loan companies use, the repayment of principal is spread over a period of years. The same is true, I think, under the housing plan sponsored by the dominion government a few years ago. What is contemplated here? Is it to be based on some arbitrary arrangement, or will the contract itself be taken into consideration? Under these instalment mortgages an accountant or actuary should be able to spell out exactly what is meant and arrive at it with mathematical certainty. Here it is left to the minister, and I do not think he ought to be given full authority. There would be no appeal, in any event.

Mr. GIBSON: The object of this section is to close the door to tax avoidance, which is possible when arrangements are entered into whereby payments of capital are made without interest being paid at all. Cases of the kind have come to light, and it is to provide that a fair rate of interest will be deemed to be included in those payments, so that a man may not buy a property and

4461

REVISED EDITION

over a period of ten, fifteen or twenty years pay so much in the way of capital payments, without interest.

Mr. HANSON (York-Sunbury): We will say in the case of a family arrangement, or a business?

Mr. GIBSON: Well, when a purchaser is buying property and possibly paying a slightly lower price, paying it all in capital payments, because the vendor will not have to pay income tax on the mortgage interest. In that case he might be willing to accept a slightly lower sum, in order to avoid the payment of income tax.

Mr. HANSON (York-Sunbury): That would be a system of tax evasion?

Mr. GIBSON: Yes, and the resolution is to provide for that.

Mr. BENCE: Does the minister mean to say that he will arbitrarily fix a certain proportion of the capital payments, which will be taken to be interest, even though there is no actual calculation of interest at all?

Mr. GIBSON: Yes.

Mr. BENCE: As I understood the case the minister mentioned a few moments ago, when the vendor of a piece of property receives only capital payments, of course he does not have to pay any income tax thereon, nor does the man making those payments. May I suggest in connection with real estate that the tax calculated should be on the income from the property, presuming the property is in use? A building may be purchased under an agreement of sale and no interest charged, it being merely a capital expenditure payable over a number of years; nevertheless that property is itself earning income on which income tax can be charged. It does seem to me wrong in principle to say that merely because a man decides he shall not have interest on his capital investment, the minister may arbitrarily charge interest or say interest is chargeable on it.

May I ask the minister another question. Would this section be applicable to dominion government annuities, for instance, where a capital sum is repayable over a number of years, either for life or for a term certain? Would that be separated in the same way, so that we might tax these annuities?

Mr. GIBSON: They are taxable.

Mr. BENCE: Yes, but by way of both principal and interest, because, as I understand the reason, prior to this it was difficult to determine the amount that should be put in for interest and the amount that should be

[Mr. Gibson.]

put in as return of capital. If the minister is given this authority, will he be able to say in connection with these annuities that a certain portion is the repayment of capital and a certain portion is deemed to be interest? Will he be able to segregate these items in such a way that income tax may be charged only on the interest, as I think it always should have been charged?

Mr. ILSLEY: These are such interesting matters in theory that the discussion just goes on and on, but I cannot help discussing this matter a little. Let us suppose there is the sale of some real estate for \$10,000, the amount being payable in ten annual instalments. That, I think, would be held to be not an annuity; it would be held not to be the exchange of capital for income. If property of a different kind is bought, such as a dominion government annuity contract, I think that would be held by the courts to be an exchange of capital for income. To draw the line between the two classes of transaction is very difficult. There are a great many English and American cases, and probably Canadian cases as well, drawing a distinction between the exchange of capital for capital, and the exchange of capital for income. If the transaction in its true nature is an exchange of capital for income, the income is taxable in England and is taxable here. But if it is merely an exchange of capital for capital, as I think would be held to be the case if I sold my house to the hon. member for \$10,000 payable at the rate of \$1,000 a year, then that \$1,000 a year is not taxable. That would be the way for me to sell the house when income tax rates are very high, because then I would be avoiding the payment of income tax, though essentially neither of us ever intended that I should go without interest on the money that is unpaid. It is absurd to think that I would. I have charged the hon. gentleman \$10,000, payable in ten annual instalments, instead of perhaps \$7,000 with interest on the unpaid balance. But had I charged him \$7,000 and interest I would have to pay income tax on the interest as it came in year by year. This provision is designed to prevent a practice of tax avoidance which is beginning and which undoubtedly will spread if we do not assume that in a certain class of transaction there is an element of income in the money received by the vendor.

Mr. GREEN: The Minister of National Revenue said that an example would be that of a man selling his land at a lower price than it was really worth. But the Minister of Finance says it would be the opposite.

Mr. ILSLEY: He could afford to make a discount because of his avoidance of the income tax. The hon. gentleman is talking about one thing; I was talking about another.

Mr. HARRIS (Danforth): Where the mortgagor might voluntarily forgo interest payments, for the purpose of keeping the tenant or mortgagee in possession of the premises in order to secure the maintenance of those premises, and where the payments would be sufficient only to look after depreciation and the lowering in value of the property, as I view it there is nothing in this provision to force the mortgagor to write into his assets interest which he never expects to collect. There is nothing in this provision to force the mortgagor to write up the interest which would ordinarily be payable, if the concern were a going organization? There is nothing to force him to write up interest which he never expects to collect?

Mr. ILSLEY: No.

Mr. HARRIS (Danforth): He cannot be forced to write up interest which he never expects to collect and which really is not in the property? That is clear?

Mr. ILSLEY: Yes, that is clear.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. JACKMAN: This resolution gives the Department of National Revenue wide powers to look into existing or future contracts where part of the money that the taxpayer receives is in the form of income. It is merely for the purpose of assuring the taxpayer what his position is that I speak. I have in mind particularly the soldier insurance contracts issued during the last war. The quickest time in which a beneficiary can get the money is over a period of five years. Part of those payments are in the nature of interest. I suppose there are many forms of fraternal benefit contracts as well as contractural rights under insurance policies where you have a similar clause. There is no lack of bona fides or attempt to evade taxation, yet strictly speaking a small amount of interest is contained in the amount which a person may receive. I think there should be certainty in this regard and perhaps some consideration will be given to naming more specific types of contracts.

Income War Tax Act

Mr. McNIVEN: As I understand it, since June 15, 1940, annuity contracts issued by the dominion government have been subject to taxation. Recently I was consulted by a client who had a dominion government annuity issued prior to June 15, 1940, another government annuity contract issued subsequent to June 15, 1940, and also an annuity contract issued by an insurance company. The first contract issued prior to June 15, 1940, was not subject to taxation, but the second one issued subsequent to that date was. The insurance company annuity was subject to taxation only in so far as interest was concerned. It seems to me that a dominion government annuity contract should not be placed in a less favourable position than an annuity contract issued by an insurance company. Would the minister have power under this section to remove that anomaly?

Mr. ILSLEY: I shall look into it. I did not know that any distinction was made at the present time, and I am surprised to hear that there is.

Resolution agreed to.

On resolution 7 as amended:

HANSON (York-Sunbury): The Mr. amendment extends the items which were intended to be included in subsections (a), (b) and (c) of section 7, subsection 1, and it enlarges the scope somewhat. I am glad to see that the minister has included as deductible the premiums on life insurance policies which may be put into effect after June 23, 1942, but I suggest that the extension is very limited. It limits the amount to \$100 a year. Does not the minister think that that is a cheese paring concession? I have had a flood of letters from young people, especially young officers who want to provide some protection for their families. They will be hit pretty hard if this exemption is limited to \$100. I suggest that the minister enlarge the scope to include other types of insurance and to increase the amount. I do not blame him for not allowing more than 50 per cent of the first premium. The other 50 per cent is said to be the agent's commission. I doubt whether the commission to a life insurance agent on a policy issued under the whole life plan runs to 50 per cent, but I am not sure. Subsection (a) of the new resolution reads:

(a) payments into any approved superannuation, retirement or pension fund or plan established prior to the 23rd day of June, 1942 (or, if established subsequent to the said date, approved by the Minister of National Revenue), and paid by the employee as a term of employment or in connection with membership in a trade union. The phrase "as a term of employment" has a limiting effect. I suggest that the minister could have let this apply to payments into any approved superannuation, retirement or pension fund or plan, and omit that limitation.

Mr. COTE: As I understand this resolution, only the taxpayer living in a property which he owns is entitled to deduct principal payments on his mortgage from his compulsory savings. Will the owner of a duplex who is living in one of the two sections be treated the same for compulsory savings purposes as he is for income tax purposes? I understand that the owner of a duplex who occupies one half is allowed only half the charges on the property for income tax purposes. Will he be allowed to offset the principal payments he makes on his mortgage against his compulsory savings tax to the full amount or only half?

Mr. ILSLEY: The full amount.

Mr. COTE: That is, the owner of an apartment building containing twenty-five or more apartments will be allowed the full amount of his principal payments?

Mr. ILSLEY: Yes, up to the limit provided in the tax. He cannot deduct an unlimited amount.

Mr. COTE: He can deduct up to the amount of the compulsory savings? I point this out because it seems to me that justice is not being done to the small property owner. In my riding most of the small property owners are wage earners who have invested their savings in small properties. If they have two properties and do not inhabit either of them, they are not entitled to deduct anything from their compulsory savings because they do not reside in either of the properties.

Mr. ILSLEY: That is not correct. I may have misled the committee this morning. An offset is allowed of the payments on one residential property whether the taxpayer lives in it or not.

Mr. HANSON (York-Sunbury): I thought residence was a condition precedent.

Mr. ILSLEY: I thought so myself.

Mr. DONNELLY: Does that apply to a farm in the same way?

Mr. COTE: The owner of a very large apartment house would be deemed, then, to have a residential property for the purposes of this section.

I should like to make a few remarks for the benefit of the class of taxpayers whom I would call small property owners, and who I think are the soundest part of our middleclass society. Consideration should be ex-

[Mr. R. B. Hanson.]

tended to them in the case of a second or third small property which they may own. During the last depression this class was decimated; many small properties under mortgage were foreclosed because principal and interest payments were not met and those who survived the depression did so only by increasing their mortgage in order to get sufficient capital to meet the carrying charges on their property. Consequently they have had no chance to improve their position. They find their incomes frozen to-day by the price ceiling which the war time prices and trade board has imposed on rentals, which have been based on the level of last October, but there is no such ceiling on the charges on the property, and municipalities and school boards have all the necessary power to increase property taxes. Nor has the interest rate on mortgages been frozen.

In passing, may I suggest to the minister that something should be done along that line. I know a great many small property owners in Verdun and Montreal who have to pay up to 7 per cent interest on mortgages. It is within the jurisdiction of the government to fix a level for interest rates, and I plead especially that the interest rate on mortgages should not be higher than 5 per cent. A ceiling should be put on mortgage interest.

As I have said, the situation of the small property owner is not very good. His rental income has been frozen at a certain level, while the charges on the property keep on increasing. Some consideration should be shown to this class of society. I do not know what would be the best way of meeting the situation, but I feel that some alternative should be provided in this section. One would be to provide that principal payments made on a mortgage on one or two or three small properties up to a certain limit of municipal valuation may be deducted from the compulsory savings tax. The small property owner with a certain equity in two or three properties, say of a total value of \$25,000, would then have the same treatment as the owner of a big apartment house the value of which may be as high as \$100,000. For these reasons I ask the minister to keep this class of taxpayers, the small property owners, in mind when considering paragraph (c) of this resolution.

Mr. ROSS (St. Paul's): I should like to add a word to what I said this morning, because I think the minister has overlooked one consideration in connection with life insurance, and to me this seems the most important of all classes of savings. I quite appreciate what the minister says, that to extend paragraph (b) to include premiums on new life insurance policies would give an

4464

impetus to the selling of life insurance. But I know of nothing that has more merit than the taking out of life insurance. The money paid in life insurance premiums is the soundest sort of savings. Once a man gets a life insurance policy he hangs on to it as long as possible; it is the last thing he will let go. After all, the government will get the money it requires from life insurance companies through the purchase of bonds and through borrowing. It is only a matter of one per cent difference in the interest rate. I do not think it is right to discriminate between people who have already taken out life insurance and those who have not yet had the opportunity of filling their budget so far as life insurance is concerned, especially when they are people who are extending themselves as far as they can in this war. If they happen to die the government is going to take their money from them in some form or another, and if they have no life insurance they will have no cash left. I cannot emphasize that too strongly. Many people seem to think that life insurance companies are a kind of great big octopus, but as a matter of fact the life insurance companies are performing a public service par excellence, and the life insurance agents deserve a great deal of credit as well. I cannot refrain from condemning this discrimination which is made by this legislation.

Mr. FRASER (Peterborough West): Paragraph (b) says:

(b) premiums on life insurance policies or annuities or other instalment saving contracts of a type which in the opinion of the Minister of National Revenue—

And so forth. Would that include contracts for victory loans which have been made with different firms that a man works for? A number of workers have taken out contracts with their firms that they will buy so much in victory loans during the year; they are paying \$5 a week or \$10 a month. If those are not included, these people are going to feel the pinch.

Mr. ILSLEY: They are not included.

Mr. FRASER (Peterborough West): Well, do you not think they should be, just for this year?

Mr. ILSLEY: No, I do not think so.

Mr. FRASER (Peterborough West): "Annuities"; that will include government annuities?

Mr. ILSLEY: I am doubtful if government annuities will qualify.

Mr. FRASER (Peterborough West): Well, what annuities will qualify?

Mr. ILSLEY: Those that cannot be postponed without substantial loss or forfeiture to the taxpayer.

Mr. FRASER (Peterborough West): No matter what annuity you have, when you stop payments you are going to lose money on it.

Mr. ILSLEY: No, not government annuities. You can pick them up any time.

Mr. FRASER (Peterborough West): Yes, people may pick them up any time, but does the minister think they will?

Mr. ILSLEY: Well, I don't know about that. A lot of people do.

Mr. FRASER (Peterborough West): This tax will have to continue for some years. There are also investors' syndicate contracts.

Mr. ILSLEY: The test is laid down here: it will be whether the premiums can be postponed without substantial loss or forfeiture to the taxpayer.

Mr. FRASER (Peterborough West): Well, would it cover them?

Mr. ILSLEY: That is a matter for ruling by the Minister of National Revenue.

Mr. FRASER (Peterborough West): Does he know?

Mr. ILSLEY: He will when he reads the contract. He will know better after reading the contract than I would know without reading it.

Mr. BENCE: The amendments which have been proposed by the minister meet the greater number of the objections which I have held with respect to this section. I am not at all satisfied, however, with the language which is expressed in paragraph (c) with respect to the matter of residential property, or with respect to the statement which was made this morning by the minister, as I understood him, that if the mortgage covered residential property it would extend to any other property which that mortgage happened to cover. I know of many cases where residential property is covered by a mortgage which also covers a number of sections of land. Under this provision, as interpreted by the minister, the taxpayer will be allowed to make the entire deduction within the limits.

Mr. ILSLEY: That is right.

Mr. BENCE: I have no particular quarrel with that. But a man may own a farm, having no other occupation, and having no residence on the particular farm. A man may happen to live in the limits of a village; his farm adjoins the village, and his buildings

Income War Tax Act

are on the farm, but he has no residence on it. Under the provisions of this section that would not come under the interpretation of "residential property", because he has no residence on his farm.

Mr. ILSLEY: That is correct.

Mr. BENCE: He should be entitled to the reduction far more than a man whose mortgage happens to cover his residential property and, say, ten sections of land.

Mr. ILSLEY: Ordinarily this is not intended to cover investments in mortgages as a business investment. In the great majority of cases it will apply to a man's own residence, not to property in which he has invested.

Mr. BENCE: According to the statement which the minister made this morning it would, in some cases. But I am not so much concerned about that as I am about the man who has a small farm and does not happen to have a house on that farm, so that he rents at a nominal figure a house in an adjacent village; yet his whole farming operations are carried on at this particular farm. Surely some adjustment should be made in his case; he is just as much entitled to it as the other man.

Will the minister explain to the committee the principles underlying the decision which governed his conclusion that insurance policies should be restricted to those on which there is a premium of \$100? It seems to me the reason why he brought this in was that he wanted to give people the opportunity of taking out a certain amount of protection for the sake of their families or their families to be, and he reached the solution, I assume through means in which the Department of Finance is interested, by limiting the actual amount which can be deducted under this refunding proposition. But if he carries out his principle to the logical conclusion he should have determined it on the face value of the policy on the whole life plan, because after all a man of twenty-five can purchase much more insurance with his \$100 than a man of thirty-five or a man of forty. If he carried out his principle to its logical conclusion he would have decided that \$5,000. say, was a fair amount of protection, and a man would be entitled to take out that amount of insurance and deduct the premium which was chargeable on the whole life plan.

Mr. ILSLEY: That may be logical. It is complicated; I do not know how it would be stated. The rates would be different for different companies; one could not say.

Mr. HANSON (York-Sunbury): It is the same plan.

[Mr. Bence.]

Mr. ILSLEY: Well, I don't know. They will vary.

Mr. JACKMAN: The more expensive the plan the more savings element there is in it.

If I may say so, I think that this amendment to resolution 7 is much worse than the original draft, although the original draft required in my humble opinion certain changes. I do not know what the philosophy of the minister is behind this whole minimum savings requirement in respect of resolution 7. I assume that where the taxpayer is saving money, which in turn goes for the most part to the government, as it does under insurance policies and many annuity contracts, the taxpayer is to be given some allowance for that saving, because he cannot save on every hand, and it works an injustice on those who have been provident and who have contracts or are about to take out contracts, as against others who do not do any saving of their own but in their old age throw themselves on the community for relief. I think that the minister should take a more liberal attitude in regard to the savings of individuals.

I was struck by the suggestion of one of the two ministers that payments under a dominion government annuity might not be considered part of the minimum savings requirement. Here is a case where the money actually goes from the individual direct into the treasury of the dominion, and yet it has been suggested that such payment will not be allowed as an offset against the minimum savings requirement. The minister owes a great deal to the policyholders in insurance companies, because that is where he has to look for a large amount of new money to help finance the war. He should do what he can now to stimulate that, because the war, in the opinion of many of us, will last for some years yet, and he will have his accrual of income next year, with all the pressure that insurance companies exert to keep up their collections. He should be very thankful indeed for the premiums which are payable now by reason of contracts entered into in years gone by.

That argument does not bear so strongly on the case of a man who buys a house and perhaps gives a mortgage back when he does it, but nevertheless pays money over to some person else, and that money is at least theoretically available for investment in government securities. I think of one case where a house was sold and the total purchase price was paid in cash. To-day that money is awaiting investment in government bonds, because, in the opinion of most of us, owing to taxation measures, controls, et cetera,

government bonds are the only security in which one can have any confidence at the moment. So that even where a house is purchased, money is released which will be available for investment in government securities, and the government will get it—which is the prime object that the minister must surely have in mind.

With that general background I wish to discuss paragraph (a):

Payments into any approved superannuation, retirement or pension fund or plan established prior to the 23rd day of June, 1942 (or if established subsequent to the said date, approved by the Minister of National Revenue)....

Is it not sufficient to leave the first part of the clause, namely payments into any approved plan, and delete the cut-off date? What is added by it, under any legal interpretation? Going further the paragraph says, paid as a term of employment. Most of the large companies that have a superannuation or annuity plan dislike inserting a provision in the employment contract that employees must subscribe to or come under the terms of an agreement as a compulsory measure. There are always one or two per cent of the people who do not want to come under any compulsory scheme, while 98 per cent are more than delighted to take advantage of the opportunity which the large companies provide. If you make it a term of the policy you imply something which is binding, and you make more difficult unanimous endorsement of it by the employees. As the minister knows, no person likes being told that he must do a certain thing.

I am also told that the unions do not like to have employees told what they should do about saving money. They do not object to employees coming under a superannuation or annuity scheme with a corporation with which they work, but in the United States this has caused a great deal of trouble where there has been an element of compulsion. In the original draft it was provided that the amount should not be repayable during term of employment. That has been withdrawn in the amendment as submitted, and I think it was a good change, because there are times when even those who would like to adhere to the savings plan which the company has in vogue are faced with an emergency in which they require money in a hurry. I suggest that in paragraph (a) all the words be struck out after the word "plan". It must be approved by the department, and that should be sufficent protection.

As regards paragraph (b), "premiums on life insurance policies or annuities or other instalment saving contracts of a type which in the

Income War Tax Act

opinion of the Minister of National Revenue are such that the premiums cannot be postponed without substantial loss or forfeiture to the taxpayer," that changes the whole aspect of the proposal as contained in the original budget resolution. Is everyone who holds an insurance contract to have to request the Department of National Revenue to pass upon it? I do not suppose the ordinary insurance policy will be greatly prejudiced if the policyholder lets it ride two or three years. Many of us during the depression had to let many policies ride because we could not meet the current payments, but we took them up afterwards and paid interest on them. We paid six per cent compounded, but that did not destroy the effective value of the policy. The paragraph goes on "and onehalf of the first year's premium, and the whole of subsequent years' premiums, on life insurance policies of a type not more expensive than insurance on the whole life plan." I understand the reasoning for the one-half of the first year's premium. Personally I should not have advocated anything more than this, or I might say that I should not have been dissatisfied if the minister had said the first year's premium. It should be borne in mind however that these life insurance agents are going to keep on. They will get their living out of the insurance business, and it is sufficiently good to support them. I do not know that it is necessary to put in the one-half, but I raise no particular objection to that. But it says the type of insurance must be no more expensive than the whole life plan. I fail to understand the reasoning of the department in putting that in. When you take the whole life plan, or cheaper plan, you are paying the minimum amount of premium in the form of savings. It is the pure risk of death which you pay for. When you take out an endowment policy the major part of the premium is really a savings contract, and that is what the government wants. It wants money which will in turn flow into the treasury through subscription to victory bonds. I do not understand the reason for the restriction as to insurance costing not more than the life plan.

Then we come to the bottom of paragraph (b) where it says it shall not exceed \$100. That is an unnecessary limitation. It fails to provide very much insurance, and many young men who are entering the services will want to take out policies for more than that, particularly when, as mentioned this morning, \$100 will not carry very much insurance, when you have to pay a very high percentage to-day to include the war risk in it. I see no reason why there should be a limitation of \$100. It should be whatever the minimum savings requirement is on the man's income, which in most cases will not amount to more than a few hundred dollars at the outside.

Mr. ILSLEY: To begin with, the phrase "term of employment" is not very accurate. It is not intended to meet a condition of employment. It is intended to cover cases where the employee would not qualify for participation in the plan unless he were in fact an employee.

Mr. HANSON (York-Sunbury): It is an unfortunate expression.

Mr. ILSLEY: Yes. There was a struggle over the language. First it was "condition of employment" and then "term of employment". The idea was to get away from condition of employment. All that was intended was that the plan must be participated in by employees as such; that is to say, they would not be able to participate in the plan if they were not really employees.

Mr. HANSON (York-Sunbury): That will be taken care of in the bill?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is satisfactory.

Mr. JACKMAN: Why the cut-off date?

Mr. ILSLEY: In regard to (b), the hon. member is right in construing the language as he has, but there again it was intended that it should be read as if there were a comma or a semicolon after "policies" in the first line, so that the words "of a type" and the words which follow qualify annuities and other instalment saving contracts alone, and do not qualify life insurance policies. In other words, we have not whittled down the terms of the resolution as found in *Hansard* and in the ways and means resolutions so far as life insurance policies are concerned.

Mr. JACKMAN: It does not apply to life insurance policies?

Mr. ILSLEY: No. The words "of a type which in the opinion", and so forth, are not intended to apply to or qualify life insurance policies. They are intended to qualify annuities and other instalment saving contracts. The clause is to be read as if there were a comma or semicolon after "policies".

Mr. JACKMAN: It does not include dominion government annuities?

Mr. ILSLEY: No.

Mr. JACKMAN: And yet the money goes to you.

[Mr. Jackman.]

Mr. ILSLEY: May I deal with the other points of detail. The suggestion made by the hon. member, and also by the hon. member for Saskatoon City, is that instead of looking at the amount paid by way of premium one should look at the amount of insurance. But that would mean that the income tax department would have to go behind the receipts and ascertain whether they actually represented premiums on more than the amount of policies permitted, which would give rise to administrative difficulties of considerable importance, of which there are going to be plenty anyway. I do not think we can go too far into making these provisions logically complete and correct in every particular when administrative difficulties are thereby multiplied. This \$100 provision is reasonably good for the average person.

Mr. JACKMAN: Is the reason for the dominion government, annuity being excluded, that 4 per cent is allowed on it? Or is there a more general reason?

Mr. ILSLEY: The reason is that which I stated—that the contract is such that there is no penalty for dropping the payment for a number of years.

Mr. JACKMAN: It is forming a good habit, though, which does the government a lot of good.

Mr. ILSLEY: But there is no substantial loss or forfeiture to the taxpayer.

Mr. JACKMAN: That idea of substantial loss or forfeiture was not in the original draft. It must have been a belated thought on the part of the department. No one else would think of it. Why is that brought up now? It seems to me unfortunate and unreasonable.

Mr. ILSLEY: It is not a belated thought. I mentioned it in the budget speech. That brings me back to the difference in principle between my hon. friend and myself. He is off on a different tack altogether from the one I have taken. In the budget speech I said—Hansard, page 3580:

Allowance is to be made, however, in this refundable portion of the tax for certain types of savings already being made by the taxpayer under contract, which the taxpayer cannot cease making without substantial loss or danger.

That is the principle which underlies this whole clause. We do not mind getting this money, apart altogether from stimulating the laudable habit of saving. But if we permit every kind of saving to be used as an offset we shall not get any money. While that may be my reason in part, hon. gentlemen last night wanted to know how we were going to finance the war. This is one of the ways. The reason we are making these concessions to the taxpayer is that we felt there would be some person who would already be loaded up with obligations to save, obligations which perhaps they could not continue, or not wholly, unless we made some such concession. But let us not proceed on the assumption that no one shall save anything over and above the total amount provided for by this budget. The Canadian people have to save more than the amount of their taxes and these compulsory savings if the war is to be financed. I am afraid that a good deal of the discussion has gone on the assumption that unless certain savings were allowed as an offset they would no longer be made. A great many have to make savings in addition, even if they have no offset at all. They will be expected to pay their taxes and pay this refundable tax and make savings over and above that. This is not intended to be a list of worthwhile savings, all of which will be allowed as offsets because they are worth while; it is only intended to be a list of the obligations which cannot be dropped without serious loss and danger to the taxpayer. We have tried to keep it to that.

We have made an exception in favour of the young man who wants to insure his life. Strong pleas have been made that there are powerful social reasons why some insurance, some protection is desirable. It may be that we have got mixed in our principles a little there; I do not know. But I do not see how in the total there is any sacrifice of savings feature in the payment of premiums on ordinary life policies as distinguished from In endowments more money endowments. comes back to the person who actually pays it in; in the case of ordinary life policies it comes back to the estate. It may not come back to the same person, but it comes back in the same proportion, or practically the same, as the other.

Mr. ROSS (St. Paul's): I agree so far as that is concerned, but there is another point. There are many people who might not be able to get insurance on the whole life plan because of physical disability. That is why I do not like this \$100 clause. It certainly is discriminatory. One man, on account of premium than he otherwise would.

Mr. DIEFENBAKER: There is one administrative difficulty that I should like to take up with the minister, in connection with deductions that will be made from the pay envelopes by the employers, beginning in September next. According to the Canadian

Press of July 9, as a result of some conference that took place between the commissioner of income tax—

Mr. ILSLEY: May I interrupt? This is a very important subject and it comes under resolution 25. I must ask that the discussion of this matter be deferred until we come to resolution 25, when my colleague, the Minister of National Revenue, will make a statement.

Mr. DUROCHER: I concur in the remarks of the hon. member for Verdun so far as taxpayers are concerned. I am not fully conversant with real estate conditions throughout the country, but I am familiar with those in my own town. What he has said about taxes having been increased in Montreal and Verdun is quite true. We had a revision of real estate values in Montreal a short time ago, and while some assessments are down, others are up, and some have to pay more this year than last. Besides, the rate of interest has not been adjusted. This is a matter we tried to adjust some time ago with the federal government, and we were told that it was under the provincial government. We went to the provincial government and tried to have the rate made 5 per cent, and from them we got just the opposite answer-that this was a matter for the federal government. So that for a time we were between the devil and the deep sea. But the Minister of Finance has given us a loophole now, and we want to take advantage of it. Since we have mixed up in provincial affairs to the extent of telling our people that they shall not do this and that, and in particular that they must not raise their rents, it seems to me we could tell the trust companies and the money lenders that they must adjust their interest rates to a certain level, which I think should be 5 per cent. This would be only fair for the small property owners who in 1932 and 1933 were asked to make all kinds of sacrifices because poor people could not pay their rents. All organizations, government as well as private, were clamouring that we should be human, that we had to be Christian. We were human and we were Christian, and we kept for months tenants who could not afford to pay their rents. But there was humanity on the one side only those to whom we owed money, or the governments to which we owed taxes, did not, I am sorry to say, show much sympathy for the small property owners. Some of them suffered to the extent of losing all they had, the savings of a lifetime, and they were put out of their houses. That was accepted all right; no one made any great protest. Now something else has come up; just when we might have a chance of breaking even, we are stopped by the price ceiling. We do not

object very much to that, but if you can put a ceiling on rent we ask why you cannot adjust the rates of interest at the same time so that at least we may make both ends meet. Just now we cannot do that, with the heavier taxation.

School taxes are also higher, and municipal taxes have gone up. We have to be satisfied with a limited revenue, and after meeting our expenses we do not receive the legitimate returns which those investments should bring us. As a matter of fact I do not believe there is a property owner in Montreal to-day, especially among the small property owners, who can realize three per cent on his investment. Everything goes for taxes, repairs and other expenses. Some of us have been fortunate enough to be able to renew mortgages with trust companies, but in such form that we are not left anything in liquid assets. As hon. members are well aware, we can make new arrangements, but every trust company, every insurance company with whom we have to deal, I would not say exact their pound of flesh, but at least exact quarterly payments, so there is not a small property owner who has five cents in the bank as revenue from his property. We have to pay out the money often before we get it in. Most tenants are paying their rent in a legitimate and regular way, but many of them got far behind during the depression; they owed so much to the grocer, the butcher, and in other ways that we are getting only very small amounts against arrears, which are not much help to us. So that while we are well pleased with this provision in paragraph 7 (c), I again ask the minister whether he could not use the same instrument that he is using in connection with the price ceiling on rent in order to put a ceiling on interest rates as well. Such rates should be in accordance with the revenue from the property, and in no case should be more than five per cent. I understand that the provision now under consideration applies to only one residential property. Often people will buy two or three adjoining properties, but I understand that this provision applies to only one.

Mr. ILSLEY: Yes.

Mr. DUROCHER: And the other two do not come under it?

Mr. ILSLEY: No; not the second or third.

Mr. DUROCHER: In that way some of these people are hard hit. They will not get any more revenue from the second and third properties, but they will have greater expenses. I support the request of the hon. member for Verdun that this matter be looked into and some help given, if possible, to the small landlords, particularly those in Quebec. [Mr. Durocher.]

We have heard a good deal abut Quebec being different from the other provinces, and in some respects that is so. In Ontario there is a moratorium which is still in existence, but the moratorium in Quebec will not operate after September 1. Then we will be called upon to pay the full amount of our mortgage, or at least a substantial portion of it. I know that I tried to obtain a renewal of some mortgages from firms that have previously lent me money on property, but they were not prepared to grant those renewals unless I could pay quite a substantial sum of money. We cannot pay more than we earn; and with the high taxes we will be called upon to pay this year-with which as a general rule people are not finding too much faultwe shall not be able to pay other things. We should receive assistance from the government in this respect, so that we may not lose the savings of a lifetime.

Mr. FAUTEUX: I concur in the remarks of the hon. member for St. James. I have received representations from many people in my own constituency, which adjoins that of St. James. As has been stated already, we have thousands of small property owners who during the depression had great difficulties in retaining their property, and I may add that it was because of their generosity that many people were not forced out on to the streets during that period. The owners of many small houses, renting at \$12, \$15 or \$20 a month, did not receive any money at all from their tenants; they were obliged to try to collect something from the city, or from charitable organizations, in order that these people might be left in the houses. Then when the war started and business became better. at the very moment that people were able to pay, the ceiling was placed on rents. I do not blame the government for that; I believe it was a very good thing, but the fact is that those people have not had a chance to get their money back They are very nervous now, with all this new taxation, and they wonder how they are going to be able to pay for repairs, make payments on their mortgages, and so on. Under this provision we are allowed to deduct the amounts we pay on the mortgage on the property where we live, but we cannot do that in connection with other property. I just want to draw the attention of the minister to these facts, and to say that if it would be possible to do anything to help these small property owners, it would be a very good thing.

Mr. ILSLEY: Perhaps I might answer the hon. member for Verdun, the hon. member for St. James and the hon. member for St. Mary. It must be understood that it is not the object of this resolution to provide an offset against the compulsory savings in regard to payments made in the course of business dealings, that is, business payments. If I invest my money in residential property and derive income from the property by receiving from it more than enough to meet the mortgage interest, the repairs, the insurance and so forth, what I have left is business income, and the interest which I pay the mortgagee may be deducted from the receipts.

Mr. FAUTEUX: No, payments of principal.

Mr. ILSLEY: That is correct. In any event it was not the intention of the resolution to go into the field of business investment. Any payments on principal in that connection are payments made to acquire capital, which is business capital intended to be the source of income in the future. The intention of this provision was to protect an entirely different kind of property, that is, the property in which a person resides. We did not put it in that way, because it would have been difficult perhaps to deny an offset if someone moved out of a house and went to live in some other place. For simplicity of administration we are allowing one residential property per person. It is merely accidental that the residential properties which are business investments are in the same category as the farm the hon. member for Saskatoon City is worrying about. That is, it is a business investment.

Mr. BENCE: Oh, no.

Mr. ILSLEY: Oh, yes it is.

Mr. BENCE: Not like the case I gave the minister.

Mr. ILSLEY: The farm is certainly a source of income for the farmer.

Mr. BENCE: It is what he lives off.

Mr. ILSLEY: That is what the business man lives off. Because of administrative difficulties we extended the privilege of this offset to mortgages on farms. It would have been difficult to confine it to mortgages on residences. Nearly every farmer who is carrying a mortgage has the mortgage on his farm on which his house is located. You could not separate the part of the mortgage that applied to the house from the part applied to the farm. The farm is part of his business assets, his capital.

Mr. BENCE: Has the minister thought that a man might move a shack or makeshift building on to a piece of property?

Mr. ILSLEY: You do not legislate with those eventualities in view. He would then have two residences, and he could only apply the mortgage interest in the case of the one.

Income War Tax Act

Mr. MacINNIS: I think the amendment is an improvement over the original resolution. To the extent that I disagree with it I am not going to suggest any wide modifications, because if we keep on broadening it there will be nothing left of the savings part of the income tax. I wish to support the hon. member for Rosedale (Mr. Jackman) in the suggestion he made in connection with paragraph (b), which deals with premiums on life insurance policies or annuities or other instalment savings contracts. I cannot understand why annuities and savings contracts should be modified or need to have the approval of the Minister of National Revenue. As was pointed out by the hon. member for Rosedale, most likely these annuities would be government annuities, and the payments made thereon would go directly into government funds, while the premiums on life insurance policies would go to the life insurance companies. If the minister cannot see his way clear to delete all the words after "contracts" in the second line to "provided" in the sixth line, I suggest that he put a comma after "annuities", and then he would be excluding only instalment contracts. I think both these suggestions are reasonable, the last one particularly so.

Mr. PERLEY: The minister has said that a comma should go in after "policies" in the first line, and the subsection would then read:

Premiums on life insurance policies, of a type which in the opinion of the Minister of National Revenue are such that the premiums cannot be postponed without substantial loss or forfeiture to the taxpayer.

Do I understand that it will be within the power of the minister to state that the premiums should not be paid or that there should be no offset or reduction if in his opinion it did not affect the loss of the policy or the forfeiture of the policy?

Mr. ILSLEY: No.

Mr. PERLEY: Some policies have been carried by business men to protect their estates in case of death and have been in force for a number of years. If a policy is paid up to date the minister can decide that there would be no loss or forfeiture to the taxpayer if the payment is postponed and the premium is entered as a charge against the policy?

Mr. ILSLEY: Those words do not apply to life insurance policies.

Mr. PERLEY: The hon. member for Verdun (Mr. Cote) and other hon. members have referred to subsection (c). There is hardly a town in the west where you will not find farmers who have left their farms to come Income War Tax Act

in to town to live. In some instances a man may own three or four farms and be interested in other businesses as well. One such man is mayor of the town, and another is reeve of the municipality. I know of such a man who has no mortgage on the house he occupies in town. One case I could cite is that of a man who runs a hardware business, and another is that of a man who operates an elevator for a grain company and lives on his farm. Can these men get a reduction for the taxes they pay and the interest on their loans and any principal payments? Can these things be taken into consideration in the statements they make? A man may obtain revenue from a business or from a farm; he accounts for that, and then he may want a reduction or an offset. I do not think the amendment is quite clear.

Mr. ILSLEY: Allowance is given for principal payments on the mortgage on one residential property.

Mr. PERLEY: A man owning three farms with buildings on each can claim only on the one?

Mr. ILSLEY: That is right.

Mr. PERLEY: Many farmers in western Canada who have done a great deal to build up the country will be working under a great handicap.

Mr. ILSLEY: I do not think so at all.

Mr. PERLEY: In Indian Head there are at least twenty men in that position.

Mr. STIRLING: Some weeks ago I took up with the minister the question of the Investors Syndicate bond, and if I understood correctly the reply which he gave a little while ago to the hon. member for Peterborough West (Mr. Fraser) the holder of such a bond will have to send a copy to the Minister of National Revenue and obtain his opinion as to whether it comes within the wording of this resolution.

Mr. ILSLEY: That is right.

Mr. STIRLING: What would be the position of a man who some years ago borrowed \$10,000 on a life insurance policy or some other security and undertook to repay it at the rate of \$100 a month; will he be able to apply those payments to the graduated tax?

Mr. ILSLEY: Repayments on loans on policies are not allowed.

Mr. STIRLING: The question has been raised as to credit being allowed on the purchase of war bonds and war savings certificates, and it has been suggested that the government

[Mr. Perley.]

should give consideration to permitting a percentage of these purchases being used in this way. This would prove an added incentive in connection with the minister's great desire that the purchase of war savings certificates and bonds shall continue.

Mr. ILSLEY: We have decided after careful and lengthy consideration that we cannot and should not permit payments for war savings certificates or government bonds to be allowed as offsets.

Mr. ROWE: I urge upon the minister that he give that point further consideration, because I think the argument made by my colleague is sound. I agree that the principle of this resolution is entirely in keeping with what I and others urged during the budget debate, and I realize that if the door is opened too wide the merit of the compulsory savings feature may be destroyed, and it would not have the effect which the minister desires. But I do urge upon the minister that he reconsider the matter, in fairness to the men who are working for small or moderate wages and are buying war savings certificates.

The war savings certificate is the type of investment which the man who is working in industry and the young child at school buys as a voluntary and cheerful contribution to our whole war effort. The man in the higher income brackets buys victory bonds. It is the wage earner who buys war savings certificates. I realize that the minister is endeavouring to guard against certain dangers, but it must have been an encouragement to him to see the magnificent response that was made by the workers in industry to the war savings campaign, when factory after factory employing from 600 to 800 or 1,000 employees, within eight or ten days after the war savings campaign was under way, made a 100 per cent contribution to the campaign. If war savings certificates are not to be allowed as an offset to the compulsory savings it will be impossible for many of these people to continue to buy war savings certificates. The minister, of course, if he will not reconsider. will be able to collect and put into the treasury an equivalent amount to that now spent in the purchase of war savings certificates, but in the one case it is being done voluntarily and in the other it will be done by compulsion. I hope the minister will reconsider.

Mr. NOSEWORTHY: The hon. member who has just taken his seat has emphasized the amount that has been contributed in war savings certificates through the voluntary efforts of industrial workers. Has the minister

taken into consideration, in his refusal to allow war savings certificates to be an offset in the compulsory savings features the fact that hundreds of thousands of workers in this country are almost compelled by their employers, as a condition of employment, to buy war savings certificates? In numerous industries pressure amounting almost to compulsion is brought to bear on the employees to buy these certificates, and there is going to be hardship if that pressure is kept up and no exemption is granted for war savings certificates.

Would the minister also make clear to us just what the position is with respect to government annuities in relation to paragraph (b). That is the point which was raised by the hon, member for Vancouver East.

Mr. ILSLEY: I do not think that government annuities would qualify, for the reasons I have given. I am absolutely certain that I will not permit war savings certificates or bonds to be exempt, because that would be destructive of the whole principle of this resolution.

Mr. ROWE: I did not mention bonds.

Mr. ILSLEY: Well, war savings certificates. The doors are wide open for any form of worth-while or praiseworthy savings. But to permit savings to go in here which can be discontinued without substantial loss or forfeiture or danger to the taxpayer—I cannot consider it for one minute. We have made provision here for two or three forms of offsets in order to relieve hardship, but we shall still have to ask people to buy war savings certificates and bonds. That is the principle, and it is the principle we shall have to stick to.

Mr. COTE: If a taxpayer owns more than one property, do I understand the minister to say that he may choose between those properties when taking advantage of paragraph (c)?

Mr. ILSLEY: That is right.

Mr. COTE: Whether he lives in one of these properties or not?

Mr. ILSLEY: That is right.

Mr. COTE: So that he is not restricted to the property in which he lives?

Mr. ILSLEY: That is correct.

Mr. ROSS (Souris): Did I understand the minister to say that no deduction would be allowed for repayments of loans on life insurance policies?

Mr. ILSLEY: That is correct.

Mr. ROSS (Souris): Suppose a man raises a loan against his life insurance policy to carry on his year's operations. Is he not allowed to count that as a deduction within that year's operations?

Mr. ILSLEY: It is not allowed as an offset against compulsory savings.

Mr. ROSS (Souris): But under section 16 he is allowed certain deductions for losses in revenue during the preceding year. Why should not a loan on a life insurance policy be allowed as a deduction when he borrows the money to carry on his year's operations? I know many people in that position.

Mr. ILSLEY: Let us wait until we get to that section. That is a different subject altogether.

Mr. FRASER (Peterborough West): What arrangements has the minister made with life insurance companies in regard to receipts for policyholders? Are the companies going to use a different form of receipt?

Mr. ILSLEY: No arrangements have been made.

Mr. FRASER (Peterborough West): It would not be right for the policyholder to send in to the government the receipts he receives from the life insurance companies, because on many of the old policies it is stated that the receipts must be attached to the policy.

Mr. ILSLEY: There may be some arrangement for duplicates; I do not know. But that can be discussed under resolution 25.

Mr. NICHOLSON: A point has been brought to my attention which I have taken up with the Department of National Revenue, but they were not able to give me an answer. The department is interested in having payments under the home improvement plan continued. Is any provision made here to have those payments allowed as an offset to the compulsory savings?

Mr. ILSLEY: No, they will not be allowed as an offset.

Mr. JOHNSTON (Bow River): The amendment states that the amount that can be deducted from compulsory savings in respect of life insurance is limited to \$100.

Mr. ILSLEY: For future insurance policies, not for the past.

Mr. JOHNSTON (Bow River): What will be the maximum amount of principal payments on a mortgage or agreement of sale? The difference between \$100 and the 10 per cent? Mr. ILSLEY: The \$100 does not come into it at all there. The offset is limited only by the amount of the compulsory savings for that person.

Mr. JOHNSTON (Bow River): In regard to the life insurance premiums it says that the deduction since the said date shall not exceed \$100.

Mr. ILSLEY: That is on new policies.

Mr. HANSON (York-Sunbury): I gather that the minister has turned a deaf ear to the plea I made in the course of my budget address for allowances for old debts?

Mr. ILSLEY: Yes.

Mr. NOSEWORTHY: I should like to know why the deadline for principal payments on a mortgage is fixed at June 23—why young people who buy houses after that date cannot be granted the exemption.

Mr. ILSLEY: They are voluntarily assuming new commitments, and it would be an encouragement to the mortgaging of property. We are relieving persons from commitments that they have already entered into, almost exclusively.

Mr. McNIVEN: The minister made such a brilliant exposition of his budget proposals and has defended them so skilfully, and at the same time has been so courteous in his replies to the numerous questions, that I hesitate to intrude now.

Mr. HANSON (York-Sunbury): Oh, do not be afraid of him.

Mr. McNIVEN: I know the leader of the opposition will not regard that expression of opinion as fulsome flattery, because in his own budget address he concurred in a sentiment with regard to the finance minister in almost identical terms. I am glad that the minister has placed an agreement for sale on the same basis as a mortgage, and I was also glad to hear his defence of the amendment as to life insurance policies. But there my appreciation comes to an abrupt close. I regret exceedingly that the same consideration is not shown to annuities.

The annuity, particularly the dominion government annuity system, is one of the greatest social experiments ever embarked upon by any government. Introduced in 1908, it has grown steadily, and has for its objective provision by the individual for his old age. Now, the dominion government annuity comes squarely within the exception provided for in the amendment. As I understand a dominion government annuity, any amount can be paid in at any time, and the amount

[Mr. C. E. Johnston.]

which is at the credit of the contract on the maturity date will be paid out over an extended period of years. So that the individual holder of an annuity will not suffer any material loss. But the principle behind this feature of the proposal was savings, and the annuity has brought about much of what was expected of it. Not so very long ago, one man out of every two reaching the age of seventy was dependent upon a relative or upon public charity for his support. As at December 31, 1941, there was at the credit of the dominion government annuities the sum of \$156,053,072, and in the same period the dominion government has paid out \$231.040.-821.82 as its share for old age pensions. The number of old age pensions being granted has increased, but it has not increased proportionately. What I mean by that is that the logical intention of those who introduced the old age pension scheme has accomplished results. I was hopeful, therefore, particularly inasmuch as the money comes to the dominion government, that the minister would recognize the moneys paid in under the dominion government annuities scheme as part of the compulsory savings plan.

I am likewise a believer in insurance. I always have been, so much so that when I was a member of the Saskatchewan legislature back in 1923 I introduced a resolution to require every young man on attaining the age of twenty-one to take out a thousanddollar insurance policy. I believe in insurance; I believe it is necessary as a protection and a means of saving money. There are certain policies which carry with them the right of loans, and during the depression years loans granted on policies have steadily risen. In 1939 the loans standing against policies in Canada amounted to \$246,940,020. Loans reached a peak in the year 1933, having steadily decreased in volume and amount from that year to the present time. Nevertheless there still stands against the policies of Canada the sum of \$246,000,000 which I mentioned a moment ago. Canadian policyholders are making an honest and substantial effort to reduce the loans on their policies. but they have not been able to do so to the extent which could be desired; for I find on looking at the insurance records for 1939 that there were lapsed and surrendered policies to the value of \$383,595,970, made up in this proportion: lapsed policies, \$165,303,531; surrendered policies, \$218,282,619. The total lapsed and surrendered policies amounted to 63.8 per cent of all the insurance written in 1939. This means that policies to the value of \$218,000,000 had to be surrendered because the loans or premiums had exhausted the cash

surrender value of the policies, and the protection of Canadian homes was reduced to that extent.

Mr. JACKMAN: It kept people off relief.

Mr. McNIVEN: Possibly for the time being it kept people off relief. At the same time it deprived Canadian homes of that protection. The point I am making, on which I have written to the minister, is that payments made on account of policy loans designed to protect the policy and put it in good standing, thus creating a nest-egg as a reserve for a Canadian home and as protection for dependents, should be allowed as a deduction from the amount required to be paid under the compulsory feature.

Mr. BLACK (Yukon): The minister says that he wants the people to continue buying war savings certificates and government bonds, but most of those in receipt of moderate incomes will have very little money to put into war savings certificates and bonds after they pay these taxes. I call the attention of the minister now, as I have already done to some extent, to the effect of these increased taxes on the wage earners of the mining districts of Yukon. To begin with, the cost of living in that territory is 100 per cent higher than it is in other parts of Canada. I mention a few necessary items that go to make up the cost of living. Flour, vegetables, meat, eggs, fuel, cost twice as much in the Yukon as in other parts of Canada. Fruit up there costs 200 per cent more than it does outside, and electricity costs 500 per cent more than in other parts of the country. The government recognizes that expenses are high in Yukon and makes provision for its employees up there by giving them, as part of the remuneration or salaries, what is termed a living allowance; and normally the living allowance of the government salaried man in the Yukon is \$1,500. The people in sheltered positions may be able to meet the increased taxes, but I doubt if the ordinary salary or wage-earner can do it.

The total exemption for all persons under the taxes now about to be imposed is \$660. By resolution 2 it is provided that the exemptions shall be reduced for purposes of the graduated rates to \$660 for all persons. The cost of moderate board and lodging in Canada, taking the very minimum of \$35 a month, represents \$420 a year, which would leave the taxpayer \$240 for clothing and other necessities. That would take up the whole of the \$660 exemption. But in the Yukon you cannot get board and lodging in the mining districts or settlements for less than \$900 a year. That is \$240 more than the exemption allowed on the taxes, and if the exemption throughout the dominion.

Income War Tax Act

outside the Yukon, is barely \$660, it ought to be \$900 up there. The cost of living, taking reasonable board and lodging, cannot be had there for less than \$900, and in addition to that, such essentials as clothing and other necessities will cost any man \$240, so that to be fair the exemption there ought to be at least \$1,140. Let me quote from a couple of letters I have received in the past twenty-four hours from that country. One writer says:

People living where most of the necessities of life are somewhat cheaper than in the Yukon realize how drastic this tax is to their economy. In Yukon it means annihilation. It means wholesale migration of those who are able to move, and for those unable to leave the country it means defaulting in taxes. The latter is evident when it is proposed to collect taxes from September next through until August, 1943.

Another letter states, describing the conditions since the additional taxation has been announced:

I have it that over fifty-three families in Dawson have made reservations to date for transportation to outside places during this summer and early fall, excluding the families who have already gone.

That is what it means. Either they have to get out of that country or they must be given fair exemption from their taxes. The work of the wage earner up there is seasonal. Men can earn wages for six months of the year-high wages, it is true-but they are idle for the next six months because during that period placer gold mining cannot be carried on. But notwithstanding the fact that for six months of the year a man earns no wages, from late October to the following March, under this budget he will have to pay taxes throughout that idle period. It is a financial impossibility. I do hope the minister will realize the importance of the situation so far as that part of the country is concerned, a territory which has produced so much wealth for the dominion and which has been such a good market. I hope he will find some solution for this problem.

Mr. ROSS (Souris): There are many people who have taken out policies on young children to care for their future education. Will those policies be allowed under (b)?

Mr. ILSLEY: The hon. member is referring to children?

Mr. ROSS (Souris): Yes. I have two small children, say, and take out a policy on each of their lives to ensure their future education. Would I be allowed deduction in that case—or any family man in a like position?

Mr. ILSLEY: I wish my hon. friend would allow that to stand until the bill comes in, when it can be raised again. It has received

Income War Tax Act

some consideration, and I do not know that I have come to a decision. The same applies to insurance policies on the wife of the taxpayer. I should be inclined to think they ought to be allowed, but I cannot give an undertaking. I wish to give more consideration to the question and deal with it on the bill.

M. ROSS (Souris): The same applies to a joint policy on the man and his wife. If the minister is getting an answer to that question I wish he would answer at the same time the question in regard to annuities for children.

Mr. BLACK (Yukon): If the premium is \$1,000 the exemption will only be \$100?

Mr. ILSLEY: That is for new policies only.

Mr. BLACK (Yukon): But I am speaking of old policies.

Mr. ILSLEY: No. It goes up to the full extent of the compulsory savings.

Mr. BLACK (Yukon): Under resolution 6 it is provided that one-half of the total taxes payable by a taxpayer under the normal rate of tax and the graduated rates of tax shall be refundable to a taxpayer provided that such refund shall not exceed 10 per cent of the income of a married person, or \$1,000, whichever is the lesser. It may be a great deal less than \$1,000. Then resolution 7 provides that the total taxes payable by any taxpayer under the normal rate of tax and the graduated rates of tax shall be reduced by the amount paid by the taxpayer in respect of premiums on life insurance policies in force prior to the twenty-third day of June, 1942. But if the premium paid is \$1,000 he does not get exemption for more than \$100 according to that wording. It says:

Provided, however, that such reductions shall not exceed the amount of the refundable portion of the tax as provided for in resolution 6 above; and the said refundable portion shall be reduced accordingly.

Mr. ILSLEY: There is no limitation to \$100 in respect of premiums on policies taken out before the date of the budget.

Mr. HANSON (York-Sunbury): Only on new policies since the budget.

Mr. COTE: Does subsection (c) cover a mortgage registered prior to June 23 last but afterwards renewed?

Mr. ILSLEY: Yes, we shall have to make provision for renewals of mortgages.

Mr. COTE: It is the same mortgage but a different deed of obligation. [Mr. Ilsley.] Mr. ILSLEY: That will have to be provided for. Anything else would be unreasonable.

Mr. COTE: I did not hear the minister's reply a few minutes ago to the hon. member for York South about the case of a young couple building a home after June 23. It might be possible for the Minister of National Revenue to reserve a certain amount of discretion about these cases, as he does in the case of mortgages not registered by June 23.

Mr. ILSLEY: I would not dare open that up.

Mr. JACKMAN: Before the section carries we should have a clear statement from the Minister of National Revenue as to whether or not the premium which is paid on an ordinary simple life insurance policy will be an offset against the minimum savings requirement.

Mr. GIBSON: A new or an old one?

Mr. JACKMAN: An old one.

Mr. GIBSON: It is, up to the amount of the allowable deduction.

Mr. JACKMAN: I did not understand it distinctly, because the section in the amended draft talks about those which cannot be postponed without substantial loss or forfeiture.

Mr. ILSLEY: Those words do not apply to insurance policies. I made that clear several times.

Mr. JACKMAN: They do apply on an annuity?

Mr. ILSLEY: Yes.

Mr. GLADSTONE: The amendment provides in clause (b) for new life insurance to the extent of premiums amounting to \$100. The minister has thereby placed a restriction on the amount of new insurance. Not having the amendment before me I do not know if there is any restriction as to the amount of premiums that can be regarded as offset on insurance in effect prior to June 23.

Mr. ILSLEY: No.

Mr. GLADSTONE: There is an offset allowed on premiums on very small policies, and that offset continues. Some men in this country I presume have policies for \$500,000 or \$1,000,000. Does the amendment propose any restriction in that regard? In section 15, relating to medical and hospital deductions, the maximum allowed is \$1,000. Where there is a restriction of that kind, and also as to the amount of new insurance that can be placed, the minister could very well place a limit on the offset for insurance in effect prior

to June 23, 1942, by adding, for instance, in subparagraph (b), after the word "premiums", the words "to an amount of \$1,000".

Mr. ILSLEY: It cannot be more than \$1,000 anyway, because that is the limit of the refundable tax. It is therefore the limit of the offset.

Resolution 7 as amended agreed to.

Resolution 11 stands.

12. That any pension granted to any member of His Majesty's military, naval or air forces or to any member of the military, naval or air forces of His Majesty's allies, for any disability suffered on active war service by the pensioner or any pension granted to any dependent relative of any person who was killed or suffered any disability while on active war service in the said forces, shall be exempt from taxation.

Mr. McNIVEN: Will the minister make some explanation of this resolution?

Mr. ILSLEY: It is self-explanatory. It simply says that disability pensions of members of the forces are not to be taxable.

Mr. HANSON York-Sunbury): That is, pensions of the last war and this war?

Mr. ILSLEY: That is right.

Mr. McNIVEN: Then a pension payable because of the last war which has been taxed since the year 1932 is now exempt?

Mr. ILSLEY: Yes.

Mr. McNIVEN: Thank you. That will bring great satisfaction to many deserving people. The minister is to be commended for that progressive step.

Mr. COTE: This resolution mentions only pensions granted to any member of his majesty's forces, for any disability. The pensions granted under section 21 of the Pension Act are granted not on account of any disability of the veteran, but sometimes in lieu of a disability allowance, and on compassionate or meritorious grounds. I have in mind the case of a widow in my constituency whose husband died some years ago with disability below 50 per cent. In his lifetime he was paid a pension, but from the moment of his death the widow loses the pension because the disability was below 50 per cent. In view of the fact that this veteran had served in the South African war and the last war, she was granted a pension on compassionate and meritorious grounds. Is such a pension covered by this resolution?

Mr. ILSLEY: It is intended to be. I will take care of that in some way in the bill. I never had any intention of excluding the meritorious clause pensions. Income War Tax Act

Mr. STIRLING: It is meant to cover service pensions as well as disability?

Mr. ILSLEY: No.

Mr. ROSS (Souris): This includes all pensions, even in respect of service in Canada?

Mr. ILSLEY: All disability pensions.

Mr. GREEN: The wording of the resolution does not make that quite clear. It is restricted by the words "on active war service." In the last war the insurance principle was in force so far as pensions were concerned, and even if a man were serving only in Canada, if he suffered a disability he got a pension. That insurance principle is not applicable in the present war, I understand, unless a man goes overseas. I take it from what the minister has said that if the veteran of the last war is getting a pension it does not matter whether he served only in Canada or whether he served in England or France, he will be eligible for this exemption. Is the position the same with regard to men serving in the forces in the present war?

Mr. ILSLEY: I had better give this more thought. I do not want to embark upon a course that is going to extend step by step to all kinds of pensions, including service pensions and all that sort of thing, because if we do that we will be in confusion. My intention was to exempt the pensions that are ordinarily payable under the Pension Act, that is, disability pensions, whether the man left Canada or whether the disability was incurred in Canada or not. That was my intention, and I do not know exactly the significance of the words "active war service". Is not a person on active war service if he enlists for active war service?

Mr. GREEN: I think the exemption should be based on the Pension Act; that is, if a soldier is entitled to a pension under that act, then he should be entitled to exemption under the Income War Tax Act. If the minister will word his section in that way I believe he will avoid a great deal of difficulty.

I should like to impress upon the minister again the position of some men not now covered by the Pension Act. First there are the merchant seamen. While they are not covered by the Pension Act, they are covered by a special order in council. Only yesterday in a bill that went through this house, the Veterans' Land Act, provision was made for these merchant seamen. That was just one more bill in the legislation being passed by this house which recognizes that the merchant seamen are entitled to the same consideration as the men in the navy, the army and the air force. I was greatly impressed by a dispatch appearing on the front page of the Ottawa *Citizen* yesterday morning, under the heading, "His Majesty sends thanks to brave men of two navies." The dispatch reads in part as follows:

"On this day of thankful remembrance for the services of the officers and men of the royal navy and the merchant navy, I wish to express once again the heartfelt gratitude of the peoples of the empire to the brave men of the two navies, on whom so much depends and on whom we place our unbounded trust."

I suggest that to bring this legislation in line with other legislation passed by this house, the men of the merchant navy also should be granted exemption. Then there are two other very small groups; first, the firemen who are serving overseas, and who I presume will be covered by order in council in respect to any injuries they may receive, and second, the men in the auxiliary services overseas, who I believe are covered by order in council but who do not get this exemption. I suggest that all these classes should be included in those receiving the exemption.

Mr. ILSLEY: I will give that matter consideration before the bill goes through.

Mr. JACKMAN: May I ask the Minister of Pensions and National Health just how far this principle of insurance in relation to soldiers is carried, and whether it extends to the Aleutian islands. Do men serving there obtain this benefit? I noticed recently that one of our men lost his life in that area. Do they come under the insurance, or do they not?

Mr. MACKENZIE (Vancouver Centre): What were the conditions surrounding the case?

Mr. JACKMAN: I do not know; I am just asking as to the general principle. The man was killed in the Aleutian islands.

Mr. MACKENZIE (Vancouver Centre): That would be a theatre of actual war. The definition of a theatre of war was broadened very much by the pensions committee last year, and doubtless that would be a theatre of actual war. It is outside Canada.

Mr. ROSS (Souris): I think the pension commission has discretionary power to grant pensions to anyone killed on active service in this dominion, has it not?

Mr. MACKENZIE (Vancouver Centre): Yes, if death is due to service—I have forgotten the exact phraseology of the act, but I think it says if injuries or death "arose out of or were directly connected with" military service.

Mr. ROSS (Souris): For instance, we had quite an argument the other day about the accident that occurred recently in the canal [Mr. Green.] here, as to whether or not the dependents of those men would be entitled to pension. I am quite sure the commission has power to grant pensions, and that they would do so.

Resolution agreed to.

13. That any amount received as compensation, other than compensation for loss of time, under any workmen's compensation legislation of any of the provinces of Canada in respect of any injury or disability incurred or in respect of any death, shall be exempt from taxation.

Mr. BLACKMORE: Mr. Chairman, you went so quickly after we passed resolution 7 that we hardly had time for any comment, or for any questions we wished to ask the minister. Would you mind if I referred back to resolution 7?

The CHAIRMAN: That has been carried.

Mr. ILSLEY: We discussed resolution 7 during half the afternoon.

Mr. BLACKMORE: I do not think it is fair for the Chairman to move so quickly that an hon. member has no chance to comment.

The CHAIRMAN: Unless there is unanimous consent I am afraid the hon. member cannot refer to resolution 7, which was discussed for quite some time and which has been carried.

Mr. BLACKMORE: It is not a question of how long it was discussed; it is a question of whether or not there is further discussion.

The CHAIRMAN: It is not a question of how long the discussion took place, but it is a fact that resolution 7 has been carried.

Mr. HANSON (York-Sunbury): If a workman or any other person were to receive damages in an action at law, altogether outside the workmen's compensation legislation, would that be looked upon as income? I should not think so.

Mr. ILSLEY: Generally speaking it is not regarded as income.

Resolution agreed to.

14. That any employer may deduct as an expense an amount up to 5 per centum of his payroll, under limitations to be prescribed, paid as contributions to any employees' superannuation or pension fund or plan, excluding therefrom, however, portions in respect of salaries over \$6,000 per annum.

Mr. HANSON (York-Sunbury): When are the limitations to be prescribed? Apparently the ceiling has been set at \$6,000, but I should like to know by whom the limitations will be prescribed—by the governor in council, by the minister, or by the commissioner. And

have not payments to superannuation funds always been deductible by the employers as expenses? I think they have been, and if not they ought to have been.

Mr. ILSLEY: Before coming to that point I should perhaps give the explanation for this resolution. It relates to a deduction from income by employers in respect of contributions to superannuation or pension funds on behalf of their employees. The present law allows the employer to make a deduction of up to 5 per cent of the remuneration of any employee, or \$300, whichever is the lesser.

Mr. HANSON (York-Sunbury): It is limited?

Mr. ILSLEY: Yes. It has been found that in cases where the employees may be well along in years, the amount which the employer actually contributes in order to provide such elderly persons with pensions is at a rate higher than 5 per cent. In the case of younger employees the percentage figure is normally quite a bit below 5 per cent. It is proposed to amend the law and provide that the total deductions in respect of all employees' shall not exceed 5 per cent of the employer's payroll.

Mr. HANSON (York-Sunbury): That is the average of the whole?

Mr. ILSLEY: Yes, and at the same time the limit of \$300 is retained in respect of the deduction on account of any one employee. Apparently that is the limitation that is to be prescribed. The resolution also provides that in calculating 5 per cent of the payroll, the amount of any salary in excess of \$6,000 shall not be taken into account. Safeguards will be introduced to prevent abuses under this arrangement. There are other limitations to be prescribed.

Mr. HANSON (York-Sunbury): That is the portion in respect of salaries over \$6,000. That is not quite what the minister said. If the salary is over \$6,000, no part of that is to be allowed. Or is it just the part up to \$6,000? It must be remembered that these men are getting superannuation.

Mr. ILSLEY: The amount of the salary in excess of \$6,000 per annum is not to be taken into account.

Mr. HANSON (York-Sunbury): But the amount up to \$6,000 is to be taken into account?

Mr. ILSLEY: That is right.

Resolution agreed to.

Resolution 14 agreed to.

Income War Tax Act

15. That a taxpayer shall be allowed a deduction from income in respect of medical expenses in excess of 5 per centum of the income of such taxpayer, incurred and paid by such taxpayer in the taxation year, or paid in the taxation year and incurred within one year prior to the date of payment if such payment is made to any qualified medical practitioner, dentist, or nurse, registered under any dominion or provincial legislation or regulation, or public or provincially licensed private hospital, in respect of any birth in the family of, illness or operation upon, the taxpayer or his spouse, or any person dependent upon the taxpayer, in respect of whom the taxpayer would heretofore have been entitled to an exemption and if the said dependent is resident in Canada, provided that the allowance in any taxation year shall not exceed the sum of

(a) \$400 in the case of a single person without dependents, or

(b) \$600 in the case of a married person or a person entitled to an equivalent allowance to that of a married person; plus

\$100 in respect of each additional person (not exceeding four) dependent upon the taxpayer for support;

Provided, however, that the maximum deduction hereunder shall not exceed \$1,000;

and provided further that the said amounts are substantiated by receipts and that such receipts are lodged with and at the time of filing the taxpayer's income tax return;

Mr. BLACKMORE: I think it would be a good idea if the minister would state what provision he has made to enable people to pay debts which were contracted as a result of the experiences of their family life. If I had been permitted, I was going to suggest under resolution 7 that a stipulation be added to allow deductions of moneys paid on old debts. Since resolution 7 has carried, perhaps some provision can be made under this resolution. Quite frequently as a family goes forward in its development, bills accumulate for dental services, for books, for groceries, for clothing and other things of that sort and which become an indebtedness against the family. At times these become a difficult burden to carry. So far as I can see, no provision is made for the man with old debts. I know of people who have had debts outstanding for six, seven and eight years. They have been trying to pare these down out of their incomes. In many cases the debt accumulated throughout the depression. Just as soon as conditions appear to be a little better and the householder is able to get employment and hopes to pay off his debt, in comes the minister and appropriates the money with which the man expected to pay off his debt. Has the minister given any thought to making provision for that?

Mr. ILSLEY: I certainly gave it consideration, and I decided it would be utterly impossible to introduce that principle into our

Income War Tax Act

income tax law. We certainly cannot have a law under which people may incur debts instead of paying taxes. The hon. gentleman may say that that is all very well for the future, but what about the past? Similarly I am firmly of the opinion that we cannot make provision for the payment of debts before the payment of taxes to the government.

Mr. BLACKMORE: Under those circumstances is the minister prepared to devise something in the nature of a moratorium to relieve people of the dreadful burden which they bear with respect to debt? A man may owe a number of small bills totalling \$200 or \$300. He has gone to one of these small loan companies about which we heard so much two or three years ago and has borrowed the money with which to pay these bills. The loan company is in position to harass him; it can take him into the courts and generally make life unbearable. Should the war last six, seven or eight years, this man will be constantly harassed and dogged into his grave by the loan company. Is he to have no means of relieving himself of this burden?

A small grocery store or a merchant in a town, or even in a city like Ottawa, may have a number of bills outstanding. The total of these bills may be sufficient to endanger his solvency. The minister has put on a tax structure which prevents a large percentage of this man's debtors from paying their debts, thereby rendering it almost impossible for him to recover his solvency. Is the minister going to give that merchant a chance to recover his position?

Mr. ILSLEY: The moratorium would not help the merchant.

Mr. BLACKMORE: If the moratorium will not help him, then something else ought to be done. Otherwise there is grave danger of many merchants in the three prairie provinces being forced into insolvency because of the budget taxation structure. Large numbers of people have been utterly disheartened because they can find nothing in these income tax provisions but a death-knell for their hopes of getting out of debt. Their situation is completely hopeless. I do not think the minister can afford to ignore a situation like this because there are too many people affected. There is too much of our morale at stake.

Mr. FRASER (Peterborough West): Many working families in Canada cannot afford to employ a registered nurse when they have illness, and must rely upon a practical nurse. In such a case would a certificate from the doctor be sufficient to bring them under this resolution?

[Mr. Ilsley.]

Mr. ILSLEY: My view is that we cannot let in the practical nurse, because anybody could qualify.

Mr. FRASER (Peterborough West): Most working people cannot afford to employ a registered nurse at \$7 per day. I submit that they should come under the provisions of this resolution if they are able to obtain a certificate from the doctor as to the employment of a practical nurse.

Mr. COLDWELL: I mentioned this matter in my speech on the budget. Perhaps I speak from some personal experience, because I know what it is to have an invalid in the home over a number of years and what that does financially to anyone who is thus handicapped. I know also that it is impossible, even with a fairly good income, to employ the services of a registered nurse over a long period of time-it simply cannot be done. I support the plea that has just been made. A large number of persons have had members of their family ill for extended periods, and some consideration should be given to them. There are many people not as well off as the members of this house, and some consideration should be given to those who are under such a financial burden. I know it opens the door wide, but in my opinion a good case can be made out for the home in which it is impossible to employ a registered nurse but where some provision has to be made for additional help on account of prolonged invalidism or sickness. While the minister said a few moments ago that he could not give consideration to this, I am urging still that some consideration be given to cases of the kind to which I refer.

Mr. STIRLING: I want to read to the committee two paragraphs of a letter from a clerk in a city:

My wife has been totally confined to bed for two years. Being an arthritis case the medical expenses for doctor's services are not heavy and would not exceed the allowance of \$100. But I have to engage a nurse at \$30 per month and my drug store bill is \$20 per month. Thus I am paying \$600 a year without counting nurse's maintenance.

The bill allows me nothing whatever unless I engage registered nurses. This is not only entirely beyond my income possibilities but would necessitate the employment of two individuals to get the same attention.

Mr. MacNICOL: I want to present another picture. I know an electrical engineer who after long years of steady work and thrift had saved a considerable amount of money. He lived with his mother, who had the great misfortune to break the head of the femur of her right leg, which as everyone knows is a very serious accident for an elderly lady. Loving his mother as he did, this man sent her to the private pavilion of the best hospital in the city and gave the very best attention for her. Her case required three nurses a day-the General hospital, Toronto, has three eight-hour shifts for nurses. On account of her age this lady was laid up for a long time. Her leg had to be kept up so that the two pieces of bone would grow together again, and they did. The hospital made a wonderful job of the fracture, although it took quite a long time. This man told me that his bills for hospital and medical expenses were over \$3,000, nearer \$3,500. An allowance of \$1,000 on income tax would not be very much in a case of that kind, and I have been wondering whether the minister, if any such case was brought to his attention, might not feel, upon the advice of medical officers, that some further allowance should be made. The particular case I speak of is long past, several years ago. I am speaking of the future, and I am wondering whether the minister would not, in such cases involving a large expenditure, make a greater allowance than \$1,000.

Mr. ILSLEY: Was the man's income substantial? Would the \$1,000 deduction not bring the taxpayer below the taxable class? I am just asking; I do not know.

Mr. MacNICOL: This man was an employee in one of the large iron and steel plants. His salary was not large, but he was a steady worker and a thrifty man, and he saved as much as he could, so that he was able to pay the hospital and medical expenses out of what I might call his capital savings. He would not have been able to pay the bills out of his income.

Mr. ILSLEY: From what the hon. member says I do not think a greater allowance than \$1,000 would have been of any use to him. Under this-I am not making a ruling on the case by any means-he would get \$1,000 in addition to his other deductions. Perhaps I am wrong in that. Perhaps the limit is less than that. At any rate it does not make very much difference. The hon. gentleman is talking about a principle, whether there should be an upper limit or not. If there is no upper limit it opens the door to some abuses probably. I can understand that there might. be cases of wealthy persons suffering perhaps from some nervous trouble or something of that sort whose medical expenses might run up to fifteen or twenty thousand dollars. I do not think those expenses should be allowed. I think there should be an upper limit.

Income War Tax Act

Mr. MacNICOL: Most other folks would have sent their mother to a public ward or to a hospital where she would not have received as good attention, but this man almost worshipped his mother, and that is why he sent her to the best hospital and provided the best attention for her. If the minister felt satisfied that a greater allowance should be-made in cases of that kind than the sum mentioned here, I would be satisfied. I am not asking that the maximum amount of \$1,000 be raised. I am suggesting that the minister in his discretion might grant further relief in cases of that kind which are brought to his attention.

Mr. ILSLEY: There must be a limit to the discretionary powers that are thrown on ministers and officials, or the situation will become impossible after a while. That would be the case if the Minister of National Revenue had to check the bona fides of claims for medical and dental expenses and try to decide whether the bills were excessive or not, and whether they were really necessary or not. The situation would become hopeless. This is a new provision. We have had nothing like it in our law in the past, and it may turn out from experience that it is not generous enough. I do not know.

Mr. HARRIS (Danforth): It is a good start.

Mr. ILSLEY: At least it provides against serious, calamitous operations and that sort of thing in families. It provides some relief, and that is all it is intended to do.

Mr. FRASER (Peterborough West): Could not a proviso be inserted in the bill covering the engagement of practical nurses where the man's income was \$5,000 or less? Then it would not cover the rich.

Mr. ROSS (Souris): I think this resolution is a step in the right direction. I approve the principle. Much has been said this afternoon of obligations that have had to be incurred by people for medical and hospital and nursing bills with which they are unable to catch up. In the west, in the very tough years-I am speaking from municipal experience-the municipality would employ practical nurses on the certificate of the local health officers, and I am wondering if the minister could not add a few words to this resolution to cover the engagement of practical nurses who were certified to by the local health officer. He is a responsible citizen appointed by the local government, and he could issue a voucher. That worked with us in the municipalities out west in the tough years, and was of decided

assistance to our people because often registered nurses were impossible to obtain. Would the minister consider adding a few words to cover the engagement of practical nurses?

Mr. McCANN: I think the minister is to be commended for putting a provision like this into the Income War Tax Act, allowing an exemption for medical, nursing and dental expenses. A large number of people have experienced terrible hardships by reason of excessive bills through sickness. If this results in the men of the medical profession being paid their fees more regularly, from their point of view I suppose it will be considered good legislation. However, I would point out to the minister that, in being so specific as to the type of nurse, he is taking away from a great many people the advantages of this exemption. Nurses are becoming increasingly scarce. As all of us know, a great number are in the armed services. Hospitals are finding it increasingly difficult to get sufficient nurses to carry on, and throughout the country they are becoming so busy that in many institutions there is not bed room for those who make application for hospital services, so that it becomes imperative that many families have medical attention and nursing service in their own homes. I can readily see where there could be an abuse of this provision if the term "practical nurse" were used, because probably a man who had somebody ill in his home would engage a maid to do maid service and some nursing. I think the wording should be amended so that the exemption would apply if one has a nurse employed full time, and not necessarily a nurse who has received her degree from a province and has become registered in that particular province. There are plenty of people in the nursing service who have never been registered, yet who continue to do nursing. Take, for instance, midwifery; that is nursing of a particular kind, utilized to a great extent in many parts of the country, particularly in the rural areas. Therefore it would be too exact to specify that the nurse must be registered; you would deprive the great majority of people of any value attaching to this exemption. I ask the minister to give that phase of the question his close consideration.

Mr. ROSS (Souris): What is the hon. member's opinion about the local health officer's certification?

Mr. McCANN: I do not believe that either doctors or health officers should be in the position that they have to certify. After all, in an income tax return one has to rely on the honesty and good faith of those who are making the return. If a man under particular circumstances has somebody in his home for whom he

[Mr. J. A. Ross.]

has excessive medical, nursing, or dental fees, he is not the type who is likely to put in a claim for an exemption which is other than bona fide. The medical profession should not be put in the position of having to give a certificate as to whether nursing services were required.

Mr. HOWDEN: I understand that for the last two or three years many of the large hospitals have been training practical nurses, who get practically the same training as registered nurses but are not required to take the same studies. Most of these women, all of whom are young because they are accepted only at a certain age, are really trained practical nurses, and they leave the hospitals with practical nurses' certificates. I believe that these semi-professional women should be taken notice of in this legislation, because they give excellent service, and the fee required by them does not begin to compare with the fee of the regular trained nurse.

Mr. COTE: I agree with hon. members who have so well pleaded the cause of the unregistered nurse. I should now like to draw the attention of the minister to the expenses incurred for the services of registered optometrists. In Quebec and all the other provinces there is provincial legislation which regulates the practice of optometry; and since the privilege is extended in respect of expenses of medical practitioners, dentists, and nurses registered under any dominion or provincial legislation or regulations, I would ask that the same treatment be given optometrists. I believe that lack of suitable glasses is just as likely to debar a man from work as is sickness. In my province it is the duty of the optometrist to examine sight and prescribe the wearing of suitable glasses. I believe that this type of professional man should be added to those already mentioned, since he is duly registered in each province and his practice is regulated by a distinct provincial statute.

Mr. GILLIS: I, too, think the minister is to be commended for much that he has done in this particular resolution. But with respect to the provision mentioned by several hon, members for lowering the category of nurses, I believe there is much justification for that course. In many homes there will be found persons who have been invalids for years. It is not possible for the family to pay the expenses of a registered nurse; nevertheless a nurse is necessary; and, as the resolution stands, it would mean that many people who have been keeping an invalid in the home on this basis will have to discontinue it, and shift the member of the family who happens to be sick to a hospital or a home, with the

consequent breaking up of the family. I think the minister could well consider the representations made by the hon. member for St. Boniface. If the hospitals are turning out practical nurses who can be hired at a much lower rate and will perform the necessary services in that category, I think this recommendation should be given consideration.

There is another matter to which I would call the minister's attention. Dentistry and all these other services are provided for. After you go through all that you die, and I wonder whether the minister has given any consideration to this angle. Any of us may have relatives who are not carrying insurance; there is a death in the family; you may be called upon to bear the expenses, and you can run into a bill of \$300 or \$400. Funerals are more expensive than hospitals. There are many people who do not carry insurancesome through prejudice, others because they cannot afford it-nevertheless when the time comes for them to shuffle off this mortal coil somebody has to pay the burial expenses. Did the minister give any consideration to exemption in case of funerals where there is no insurance to cover the cost?

Mr. ILSLEY: No.

Mr. ROSS (Calgary East): Why is the deduction limited to expenses incurred during the taxation year?

Mr. ILSLEY: Otherwise old bills would be brought in for several years back.

Mr. BRUCE: I should like to lend my voice in support of the hon. member for Cape Breton South when he said that the exemption should be allowed for a practical nurse. I think it is an undesirable discrimination to say that the nurse must be a registered nurse. There are many poor families and even some who are not so poor who have to employ practical nurses, and I think the minister would be well advised if he would consider exempting payments to such a nurse, provided the doctor gives a certificate that she is thoroughly qualified, although not registered.

Mr. GRAHAM: For brevity's sake I am just putting myself on record as supporting the suggestion that the minister sympathetically consider the possibility of widening the definition of "nurse" under the circumstances referred to by the various members. I think the minister would satisfy the committee if he would say that before the actual bill comes down he will give that proposal sympathetic consideration.

Mr. JACKMAN: First of all I support the suggestion that if at all possible there be an exemption with regard to practical nurses.

Income War Tax Act

As the resolution is now worded it defeats its purpose. Very few people, even among the well to do, can afford a trained nurse for any length of time. As soon as the critical period is over, they have to resort to practical nurses, and that cost may run for months or during the whole lifetime of the patient. I would advocate as strongly as possible that that provision be worked out if it is at all feasible.

There is a second point. It is not specified whether the 5 per cent applies to gross or net income. Surely it must apply to net income, because that is the only real income one has.

Mr. ILSLEY: What does the hon. gentleman mean by net income—after marital deduction?

Mr. JACKMAN: Suppose a person has \$5,000 gross. He must spend \$250, as I read this, before he is allowed to deduct extra medical expenses from total income.

Mr. ILSLEY: That is correct.

Mr. JACKMAN: When you get into the higher brackets, the man with an income of \$20,000 has to spend \$1,000 before he is allowed the deduction. Under the present budget, he gets, not \$20,000 but only \$9,000, so that I contend he should have to spend only \$450 before being entitled to the deduction if his medical expenses exceed that. We must be realistic about this. It is what is left that one has to spend, and 5 per cent of the gross income may be a very large amount. I suggest that it should be taken off the net income.

Mr. ILSLEY: There is certainly no intention of regarding income as income after payment of taxes. That is what the hon. gentleman suggests it ought to be?

Mr. JACKMAN: Yes. Does the minister not think that is fair?

Mr. ILSLEY: No.

Mr. JACKMAN: There is one other small point. If I remember rightly, in the income tax returns there was a slight change in the wording in regard to claims of exemption for children. Formerly, if a child was born during the taxation year the claim was allowed but under the present wording that is not possible, although I stand corrected if I am wrong.

Mr. GIBSON: There is no change in that. If a child is born even on December 31 exemption is given for the whole year.

Mr. FRASER (Peterborough West): Will the minister not allow this resolution to stand until after this sitting to see if something cannot be done with regard to my suggestion in connection with practical nurses?

Mr. ILSLEY: I am willing to give it consideration, but I think the resolution had better pass and consideration be given before the bill is brought down.

Mr. FRASER (Peterborough West): That would be satisfactory.

Mr. ILSLEY: I do not want to leave the impression that I am very favourably impressed by the arguments about practical nurses. The member who made the strongest impression upon me was the hon. member for St. Boniface (Mr. Howden). If there were some test; if, for instance, there are nurses who are registered, having certificates, that might guard against abuse, but the other suggestions do not appeal to me. I do not think we should depend upon the certificate of a provincial or municipal officer or a doctor, or anything of that kind, because that would leave the door wide open. Many hon. members have suggested that, but it would invite widespread abuse.

Mr. FRASER (Peterborough West): I suggest that the minister limit it to incomes of \$5,000 and under. That would help to some exent.

Mr. ILSLEY: I do not like that sort of thing if I can avoid it.

Mr. BLACKMORE: Would the minister consider some measure to alleviate the distress of people who are deeply in debt, particularly those in the income brackets between \$2,000 and under? The matter is so serious that it merits careful and sympathetic consideration.

Mr. ILSLEY: It must be borne in mind that the Minister of National Revenue in the administration of the act sometimes has to make concessions to taxpayers in individual cases, not pressing for payment when he knows that in all common reason it would throw the taxpayer into bankruptcy. That is part of the ordinary administration. I do not think, however, we would be justified legislatively in doing anything about persons in debt. It would be out of the question. We cannot make provision for everything in legislation.

Mr. JACKMAN: I do not think I made the point as well as I might have with regard to the 5 per cent, as to whether it related to gross or net income. The resolution as it stands has a delimiting feature. The maximum deduction is \$1,000. The minister surely knows—and I am speaking not for those in the low bracket particularly, but for those in

[Mr. G. K. Fraser.]

the higher brackets-that there are people who cannot live on their income despite the fact that they have been trying by various means to avoid drawing on capital. The minister himself does not want people to draw on capital. They do not want to do it. If they have a large income, half or more than half of it is taken from them. Suppose that a man's income is \$20,000. He has to spend \$1,000 before he is entitled to the exemption. It does not apply in the same degree to the smaller brackets, and where there may be a good deal of sickness in the family it may create a real hardship among the class which is already doing its share and more than its share. In any event it is not open to substantial evasion, because there is that limitation of \$1,000 which applies to the poor man as well as the formerly wealthy man.

Mr. ILSLEY: I am not so greatly concerned about persons who have capital and can meet exceptional medical expenses out of it. That is what people have done in the past from time immemorial. When people had money saved up and were faced with hard times through illness they had to use some of their savings, and from that there arose the saying about saving against a rainy day. This is provision for the small man who has no capital, and has not enough income and is saddled with an exceptional amount of medical expenses.

Resolution agreed to.

16. That the revenue losses in any business, of the immediately preceding year, may be allowed as a deduction.

Mr. CASTLEDEN: What is the definition of "revenue losses"?

Mr. ILSLEY: Operating losses—losses on profit and loss account.

Mr. CASTLEDEN: For the last year?

Mr. ILSLEY: For 1942.

Mr. CASTLEDEN: Will be deductible for the 1943 payment?

Mr. ILSLEY: Right.

Mr. ROSS (Souris): I suppose "business" includes farmers or anyone operating such a set-up?

Mr. ILSLEY: That is right.

Mr. ROSS (Souris): For the previous year they could deduct a loan on insurance, or a bank loan, which had taken place the previous year and which they were not able to meet then?

Mr. ILSLEY: No; this does not apply to a loan in 1941. It begins now; it is for the future. We cannot go back and determine losses in previous periods; we have no way of doing so. It means losses; when the hon. gentleman says "deduct a loan", that may not be a loss.

Mr. CASTLEDEN: Has the minister any idea as to what extent this will affect the revenue for 1943?

Mr. ILSLEY: No. Not very greatly I think; not many people are making losses.

Resolution agreed to.

17. That contributions not exceeding \$500 to any one registered prospecting syndicate searching for base metals or strategic minerals, but not exceeding \$5,000 in the aggregate, and payments not exceeding \$5,000 by any corporation in respect of its own prospecting expenses for similar minerals, may be allowed as a deduction from the income of any taxpayer, provided that the tax saving under this act and the Excess Profits Tax Act, 1940, shall not exceed 40 per centum thereof in each case.

Mr. MacNICOL: Have the engineers and geologists of the Department of Mines and Resources decided that \$500 is a fair amount to allow for a single prospector, or \$5,000 to a firm having many prospectors out. I know firms that have a large number of prospectors out. Is that a reasonable amount?

Mr. ILSLEY: It is not intended to be. This \$500 is not estimated to be the costs of a syndicate doing prospecting or even of the prospector. A contribution of \$500 by any person is allowed as a deduction if it is a contribution toward the costs of a prospecting syndicate.

Mr. MacNICOL: But a contribution of \$500 for the operations of one prospector?

Mr. ILSLEY: No, one contributor.

Mr. GREEN: As this resolution reads it does not apply to a contribution to a prospector as an individual; it is a contribution to a prospecting syndicate.

Mr. ILSLEY: That is right.

Mr. GREEN: Is there to be no exemption for money advanced to a prospector?

Mr. ILSLEY: It has to be a registered syndicate. I understand the registered syndicate employs the prospectors.

Mr. GREEN: In how many provinces is there provision made for registering the syndicates?

Mr. ILSLEY: Does the hon. member want me to get some information about the provinces that register syndicates?

Mr. GREEN: Yes. 44561-283

Income War Tax Act

Mr. PERLEY: It relates to the search for minerals. If a person contributes \$500 to a search for oil and gas, would that come under this provision?

Mr. ILSLEY: No, it is not covered.

Mr. PERLEY: If a person, instead of contributing to a syndicate, contributes to an incorporated company for the same purpose, does he get the deduction?

Mr. ILSLEY: It is not covered by the resolution. I think that the kind of minerals referred to here are found by prospecting and that the prospecting is carried on pretty generally by syndicates.

Mr. PERLEY: If an individual who does not tie up with a syndicate or company decides to drill a well prospecting for oil or gas, he does not get anything under this resolution?

Mr. ILSLEY: No, that is not covered.

Mr. PERLEY: The minister asked that resolution 11 stand. What was the idea?

Mr. ILSLEY: I wanted to get some more information. We have had strong representations that we should not pass this, but I am not convinced, and I wanted to get a little more information before I put it before the committee, because some hon. members will make the same representations that have been made to me, and I wanted to be in a position either to answer or admit their soundness.

Mr. GREEN: Why is this exemption to be restricted to a prospecting syndicate? Surely there should be some provision made for contributions to individual prospectors.

Mr. ILSLEY: This was an arrangement worked out some months ago—I made a statement about it in the house at the time—with the metals controller, at the instance, I think, of the metals controller and with the knowledge and advice of the Department of Mines and Resources and also the prospectors' association, of Ontario, I think. It was thought advisable to confine these advances to bodies that could be controlled, whose books could be audited, bodies of recognized standing. I do not know that it would be appropriate to recognize contributions to individuals.

Mr. GREEN: The point to be made clear is whether similar provision is made for prospecting in other provinces. I do not believe this plan would work out in British Columbia; as far as I am aware it would not. Some plan should be inaugurated which would enable prospecting to be done in the other provinces on the same basis. I understand

REVISED EDITION

the purpose is to find new metal deposits. It is not a matter of helping some people; the purpose is to find new metals. That purpose should be kept in mind in drawing up the provisions; in other words, what is the best way to get prospectors out in the hills in each of the provinces.

Mr. ILSLEY: We acted on the advice of people who seemed to know about it, and we understood that in every province where prospecting is practicable, facilities exist for the registering of prospecting syndicates.

Mr. ROSS (Calgary East): I do not know of any registration of syndicates in Alberta.

Mr. EDWARDS: With whom are they registered?

Mr. ILSLEY: The provincial governments, I am told. I shall have to get more information. I was going on the advice of people who know, the metals controller and the Department of Mines and Resources. This was carefully worked out with them. I think hon. members will find that there are facilities for registering these syndicates in all the provinces where prospecting is done, but I will find out more definitely.

Mr. DIEFENBAKER: As far as these mining and prospecting syndicates are concerned I think they are in existence in practically every province. When a prospector is sent out, provision is made whereby those who grubstake him register what is called a syndicate agreement, so that when the prospector returns and registers the claims those who advance the money will be assured of registration. The regulations are practically the same in every province. Originally they were dominion regulations. I am sure they are in effect in British Columbia; they are in Saskatchewan and Alberta. It is the only way protection can be accorded to those who bona fide send out a prospector with a view to locating mineral deposits.

The CHAIRMAN: Shall the resolution carry?

Mr. GREEN: The minister has promised to get some information.

Mr. QUELCH: Is gold classified as a strategic metal?

Mr. ILSLEY: No.

The CHAIRMAN: Carried.

Mr. GREEN: No. I understood this resolution was to stand until we got certain information.

Mr. ILSLEY: All right; let it stand.

Resolution stands.

[Mr. Green.]

18. That the deduction provided for by section 7 of the said act under which a taxpayer is entitled to deduct from tax the amount paid under part III of the Special War Revenue Act, be repealed.

Mr. CASTLEDEN: What will be the effect of repealing this section?

Mr. ILSLEY: That is quite a long story. This resolution is related to the proposed amendments which were discussed the other day, regarding taxes on insurance premiums. The premium taxes provided for under the resolutions in question were not to be allowed as a deduction from income tax, and this resolution provided the amendment for disallowing the deductions. That is the whole story. If I remember correctly, there is a provision at the present time providing for the deduction from the income tax of fire insurance companies of the amount paid in premium tax, and we have changed that. The fire insurance companies are to pay straight income tax without the deduction, which means that they pay exactly the same amount. provided it is in profits. They do not pay the same if it is in losses.

Resolution agreed to.

19. That salary and other periodic payments payable to non-residents of Canada who are residents of a country which imposes a tax of a similar nature shall be subject to a tax of 15 per centum at the source.

Mr. FRASER (Peterborough West): Will the Minister of National Revenue tell us when refunds may be expected from the United States government? At the first of last year the rate they charged was $16\frac{1}{2}$ per cent; then it was increased to $27\frac{1}{2}$ per cent, and later cut down to 15 per cent. When will the difference between 15 per cent and $16\frac{1}{2}$ per cent or $27\frac{1}{2}$ per cent be refunded?

Mr. GIBSON: I understand that if the company which deducted the tax has turned it over to the government of the United States, application must be made to the United States government, and I was given to understand that it would take several months before such application could be dealt with. I could not say definitely how long it will take the United States government to make these refund's.

Mr. FRASER (Peterborough West): Is it the company that made the deduction that has to apply to the United States government for the refund, or is it the individual?

Mr. GIBSON: If the tax was still in the hands of the company that deducted it because I believe they turn in their taxes to the government only about once a year—the company would pay it out. If the company has already turned the tax over to the United States government, then application would have to be made to that government.

Mr. FRASER (Peterborough West): By the individual?

Mr. GIBSON: By the individual—the shareholder or whoever would be entitled to the refund.

Mr. ESLING: Does this section have reference to the discrimination, in connection with the remittance tax, in favour of film producers?

Mr. ILSLEY: This has reference to the same section of the Income War Tax Act, which relates to the tax on film rentals, but it does not deal with film rentals.

Mr. ESLING: But it is the section to which I referred the other evening, under which for some reason rentals or revenue from motion picture films is singled out from all other payments, in that the tax paid is only 10 per cent instead of 15 per cent.

Mr. ILSLEY: That is right.

Mr. ESLING: Those rentals amounted to \$12,600,000 this year. Then the agencies were allowed to deduct \$3,000,000 for distribution expenses, leaving almost \$10,000,000 net; and it does not seem to me that any syndicate or concern or aggregation of agencies that can take in a clear \$10,000,000 is in such necessitous circumstances that it should request the government to single out its remittances and reduce the tax from 15 per cent to 10 per cent, while all other sums remitted to any other persons having investments in Canada must pay the higher rate. Only to-day every hon. member from British Columbia received a telegram charging that the motion-picture agencies were endeavouring to squeeze out the independent theatres by increasing their charges for these films, notwithstanding the fact that the price control board fixed the rates at a certain level last September. Those protests will go to the wartime prices and trade board, and eventually to the minister, but I am emphatic in my protest against this consideration being given the film agencies. They are making enough money as it is; yet in every case since 1936 some special consideration seems to have been given to these people. Will the minister tell us why that has been done. We shall lose half a million dollars in 1942 as a result of this sympathetic treatment of these film agencies.

Mr. ILSLEY: This matter is not strictly covered by the resolution, but I know the hon. gentleman's views on this subject. I listened very carefully to his remarks the other night, when he urged that we were not justified in 44561-2832

imposing a rate of less than 15 per cent. I am very familiar with this matter; it has been under consideration several times, as the hon. member says, and certainly last year, when we raised the rate from 5 per cent to 15 per cent, I was satisfied that this rate would be unjust in regard to film rentals. The statements of the companies were submitted to us, and as far as I could ascertain there could not be anything wrong with those statements. The argument they advanced was that if this tax, which is a gross tax, were levied at the rate of 40 per cent or perhaps even 50 per cent or 60 per cent on the net earnings of these companies, it would yield much less than is paid under the 10 per cent tax on the gross rentals, that is, on the proportion of the net earnings which would be allocable to the Canadian business. We may have been misled; we may have been fooled, but I have no reason in the world for thinking so. The film companies certainly consider that this rate is entirely too high in the light of their net earnings.

Mr. ESLING: Well, Mr. Chairman, these must be the net earnings.

Mr. ILSLEY: No, this is the gross income remitted.

Mr. ESLING: But from the gross income they have been allowed a reduction of \$3,000,-000 to cover all the expenses of distributing these films, which expenses include the cost of the film and the cost of printing. Three million dollars is quite a large sum to cover such expenses. It covers not only costs of distribution, but the pay of every employee in the seventy-three agencies. These agencies represent the moving-picture producers in the United States who send their films here.

Mr. ILSLEY: The real costs are in connection with manufacturing the films in the United States.

The CHAIRMAN: I have allowed some latitude, but I am afraid that the question being discussed by the hon. member does not fall within the scope of the resolution now before the committee.

Mr. ESLING: With all deference to you, Mr. Chairman, it is the 15 per cent tax on remittances to residents of the United States.

The CHAIRMAN: Not corporations.

Mr. ESLING: These people are singled out for great preference. I merely asked the minister why this is done and he does not tell us.

Mr. GREEN: On the point of order, the minister has stated that this resolution deals with the particular matter to which the hon.

Income War Tax Act

member for Kootenay West (Mr. Esling) is referring, and therefore I submit that he is directly in order.

The CHAIRMAN: I understood the minister to say the very reverse.

Mr. ILSLEY: It would be an amendment to the section. These salaries and other periodic payments do not include the periodic payments to which the hon. gentleman is referring.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. GRAYDON: Mr. Chairman, I am not quite certain whether you ruled out any reference to the tax on non-residents on this clause, but there was one point I wanted to raise with the minister, if I may.

In 1941 the tax on non-residents was increased, as the minister said this afternoon, from 5 to 15 per cent. There have been a number of people in Canada who have not been very well satisfied with the taxation of non-residents who make their income largely in the Dominion of Canada itself. I realize, at least I think I do, some of the difficulties we face in imposing a tax on these non-residents which will be in some measure commensurate with what should be placed upon them. It would appear from the information I have that non-residents take out of Canada about \$300,000,000 of profits and interest from investments of one kind and another. I am not sure that that figure is absolutely accurate, but it is the latest figure that was given to me. As opposed to that, Canadians owning investments outside this country have brought into Canada something like \$35,000,000. The discrepancy between the two is very great. The non-resident taxpayer, in the opinion of a good many business people in Canada, gets off rather lightly compared with the heavy increase in income taxes that we have to pay.

Has the minister given any thought to the question whether, now that our income tax on residents in this country has been raised to such high levels within the past few weeks, we are not dealing just a little too leniently with the non-resident taxpayer who does not live in Canada, and who gets off almost scotfree compared with the taxation our own people have to pay? The tax of 15 per cent on non-residents is very small having regard to the taxes our own people are called upon to pay. I know there must be some answer to that; nevertheless a good many people in this country are concerned lest we are missing a splendid opportunity at least to increase our revenues, when they are so badly needed, by imposing a heavier tax on nonresidents.

Mr. ILSLEY: A year ago we raised the non-resident tax from 5 to 15 per cent, and automatically the tax in the United States went up to $16\frac{1}{2}$ per cent, and later was raised by congressional action to $27\frac{1}{2}$ per cent. We then made an agreement with the United States by which this tax in both countries was reduced to 15 per cent, which is the present level.

Mr. HANSON (York-Sunbury): That was the basis of that convention, was it not?

Mr. ILSLEY: Yes. Our traditional policy has been a low non-resident tax. Before the war it was considered good policy to have a low non-resident tax to encourage investments in Canada. The same considerations do not apply now to anything like the same degree. However, 15 per cent is a substantial tax as a gross tax. It is not a tax on net income but is a gross tax which is taxable against a person who has no income abroad. He is taxed, nevertheless, 15 per cent on what he receives in Canadian income.

Mr. GRAYDON: In the debate last year the minister mentioned the item of rent. For instance, he said that the non-resident taxpayer paid on the full amount of rent he received and was not allowed to deduct tax or mortgage interest from that.

Mr. ILSLEY; We started out to do that and then found it was too severe altogether.

Mr. HANSON (York-Sunbury): And had to back up.

Mr. ILSLEY: And had to back up, as the leader of the opposition says.

Mr. GRAYDON: I should have remembered that. It was one of your retreats, and they are rare.

Mr. ILSLEY: Exactly. I think the \$300,000,000 which my hon. friend mentioned must include payments from Canadian subsidiaries to United States parent companies. We deliberately refrained from placing a tax on such payments, although there is a 5 per cent tax on remittances from United States subsidiaries to Canadian parent companies.

Mr. HANSON (York-Sunbury): These Canadian subsidiaries pay a tax here, of course.

Mr. ILSLEY: Yes. The argument for no tax on these remittances is pretty strong

4488

[Mr. Green.]

because the earnings of these Canadian subsidiaries are taxable at our excess profits tax rates.

Mr. HANSON (York-Sunbury): Is much care taken in checking up to see how they arrive at their profits? Bookkeeping is a wonderful art, and if you know how to handle a situation you can cover up a multitude of sins. Are their accounts audited regularly by competent auditors?

Mr. ILSLEY: It is an income tax problem.

Mr. JACKMAN: I suppose the minister is familiar with the case of some people in the United States who derive a very small income from Canada. Perhaps they were formerly residents here. The tax of 15 per cent, plus the 11 per cent discount on exchange funds, does create a certain hardship for these people. Their own tax in the United States is probably a good deal less than 15 per cent, or their income may be so small that it is not taxable at all. I presume the minister has considered such cases. I do not know that anything can be done on behalf of these people. I merely point out to him that resolution 19 seems to impose a severe penalty on people living in the United States, probably former Canadians, who derive their income from Canada.

Mr. ILSLEY: That is the answer to the hon. member for Peel.

Mr. GRAYDON: I have no objection to the answer coming from an authoritative source. I feel more confident about that answer than about some I have received in the last few days.

There has been some question as to the amount of income which goes out of Canada into the United States. Has the minister any figures on that?

Mr. ILSLEY: I have not the figures.

Mr. HANSON (York-Sunbury): On balance the transfer is very much against us, is it not?

Mr. ILSLEY: Yes.

Mr. ESLING: Prior to the dinner recess I referred to a matter of which the chairman questioned the relevancy. The minister intimated that it had something to do with this resolution, although it is not specifically mentioned in it.

The minister brings down a budget to raise funds for the conduct of the war, and this resolution places a 15 per cent tax on remittances to non-residents of dividends, interest, royalties, rentals and so on. Here is a specific case of remittances for the rental of films. I presume the minister must have a good reason for discriminating in favour of these

Income War Tax Act

film agencies, which have \$10,000,000 to remit, when the tax is reduced from 15 to 10 per cent in their case. To-day every member for British Columbia has received telegrams protesting against these very agencies raising film rentals to independent theatres, apparently for the purpose of putting independent theatres out of business and getting control of them. But aside from all that, this tax remains; you are raising money; you are asking people to buy war savings certificates, and you are giving to these big picture producers this year and every year thereafter \$450,000 by way of exemption of tax. It does not seem unreasonable for one to ask why.

Mr. ILSLEY: I told the hon. member why. There is not a flat rate of 15 per cent on everyone else. Receivers of real estate rents in the United States from Canadian properties are taxed 15 per cent on their net, if I remember correctly, not on their gross. An exception was made in their case because of very strong representations in this house and out of it. Among others, I remember, the diligent hon. member for Vancouver South (Mr. Green) urged that the tax was entirely too great.

Mr. GREEN: Not on films.

Mr. ILSLEY: No, I did not say that. I said, on real estate rents. The point I am trying to make is that this is not the only exception. For a number of royalties and the like, 15 per cent is an appropriate rate, but representations which were made certainly convinced me that it was an excessive rate in this particular case. Anyone is entitled to his opinion about this. If the Canadian business of the United States motion-picture producers is regarded as so much velvet to them, as surplus business, export business, we might be justified in putting a very high tax on them. But they have always contended, and I think with considerable justice, that that is a very unfair basis on which to impose the They have said that we should have tax. some regard to their net position, and they have pointed out that this 10 per cent tax is much higher than a 40 per cent tax would be on their net earnings if an allocation of a fair proportion of their net earnings is made to the Canadian business.

Mr. HANSON (York-Sunbury): That would be a question of fact.

Mr. ILSLEY: Their facts, I think, are correct on that. They appear to be represented by reputable counsel, at any rate; they show us all the figures; and on the net basis, if we convert this into a tax on the net income, it would be at a terrifically high rate. It is away high now.

Income War Tax Act

Mr. HANSON (York-Sunbury): Having regard to the excess profits tax?

Mr. ILSLEY: I do not know what its equivalent is on a net basis, but it would be very high. The matter was carefully gone into, and I came to the conclusion that 15 per cent would be harsh.

Mr. PERLEY: What is being done about the large United States grain companies known as the "Big Three"—the Dreyfus company, Bungé, and the Continental-with headquarters in New York? They have offices in Winnipeg, and as the minister knows, during peace time they did about 50 per cent of the exporting of Canada's wheat. Even now, I am informed, they are doing a con-siderable business in Winnipeg, not only as exporters, but generally, and they must be making substantial profits. Is there any check on the amount of business they are doing and the profits they are making on Canadian business? If there is, has the minister any way of ensuring that these companies pay a tax comparable with the business they are doing in Canada?

Mr. ILSLEY: I do not know what the situation is. It is my recollection that the point came up when I was Minister of National Revenue and that the ruling was that they are not doing business in Canada in such a way as to be taxable.

Mr. PERLEY: They exported at least 70 per cent of Canada's wheat in 1938 and a very considerable amount in 1939, and I understand that even now they are exporters on a large scale. Consequently they are certainly doing business in Canada.

Mr. ILSLEY: The hon. gentleman is a lot surer of it than I am. The practice about the taxation of principals that are doing business by agents in Canada is well settled, but I should not like to say exactly what treatment these grain companies have received.

Mr. PERLEY: They are members of the Winnipeg grain exchange and of the clearing house, and they have their offices there.

Mr. ILSLEY: I see.

Mr. HANSON (York-Sunbury): Will the department look into the situation now? They may have Canadian subsidiaries; I do not know. Maybe they have merely agents in Winnipeg, but if they are doing a substantial portion of the export trade as well as a general grain trade, it is up to the department to examine the position with care.

[Mr. Ilsley.]

Mr. MAYBANK: What is the present status in connection with payment of income tax, of the pools? Is that *sub judice*, or has a decision been made?

Mr. GIBSON: I could not give a statement as to what is being done with regard to any individual taxpayer. We have had an opinion of the Department of Justice, and the matter is receiving legal consideration at the present time.

Mr. HANSON (York-Sunbury): That is where it was a year ago.

Mr. GIBSON: Well, it has progressed beyond that.

Mr. JACKMAN: Would the minister explain why United States subsidiaries operating in Canada do not pay a 5 per cent withholding tax, whereas Canadian subsidiaries operating and perhaps fully owned in the United States have to pay a withholding tax on the part of the United States government? Is it because Canada is normally a capital importing country and we want these investments?

Mr. ILSLEY: We have the right to impose a 5 per cent tax under a convention. We just do not do so, as a matter of policy.

Mr. MAYBANK: I want to follow up my question a little further. I realize that the minister cannot say what any particular taxpayer is paying, but in the way his answer was given it amounted to about this, "we came to a decision last year." The answer did not mean much more than that.

Mr. GIBSON: What do you mean by "we came to a decision"?

Mr. MAYBANK: What I wanted to know is whether it is clear that the wheat pools are taxable. If a decision has been reached to that effect, has it been appealed; is it before the courts? I should like something more than "we came to a decision a year ago." That is a year ago; we ought to be able to get a little farther than that.

Mr. GIBSON: I do not quite understand what the hon, member is referring to when he states that we came to a decision last year.

Mr. MAYBANK: I was quoting the minister.

Mr. GIBSON: Well, the investigations were in progress last year; I do not know that there is any particular secret in the fact that we are going ahead assessing the various pools, and possibly the question will come before the courts whether they are or are not cooperatives.

Mr. MAYBANK: Well, that is what I want to get. The matter is still sub judice?

Mr. GIBSON: I imagine it will be before the courts for final decision.

Mr. HANSON (York-Sunbury): What the minister has said is that a year ago the matter was under decision. Since then it has been decided to assess them. I assume that the pools are repelling that position and that the matter will have to go to the courts.

Mr. GIBSON: That is probable.

Resolution agreed to.

20. That the tax payable by all persons other than corporations shall be paid by quarterly instalments during the six months immediately prior to the close of the calendar year and the six months immediately subsequent to the close of the calendar year

(a) as to the six months, July to December, one-quarter of the estimated tax on or before the 15th day of September and the 15th day of December each year, having regard to the previous year's income and applying the current year's rates, and

(b) as to the six months, January to June, one-half of the tax (after deducting therefrom the previous two quarterly payments) on or before the 15th day of March and the 15th day of June each year, having regard to the income and applying the rates of the taxation year.

This shall be applicable to the tax on income of the calendar year 1942 and each year thereafter.

Any additional tax found due over that estimated or declared by the taxpayer shall be paid immediately upon assessment, together with interest at 5 per centum after four months from the close of the calendar year.

This instalment method of payment shall not apply to persons whose tax is being deducted at the source in respect of salary or wages, and whose salary or wage constitutes three-quarters or more of his income;

Mr. FRASER (Peterborough West): Will the minister explain why he has changed payments this year to quarterly for the individual and monthly for the corporation, and why he has made the last payment June 15 instead of August 31?

Mr. ILSLEY: I have an amendment to propose to this resolution which changes some of the dates of payment. The amendment is:

That resolution 20 be amended by changing the dates for quarterly payments provided in paragraphs (a) and (b) from the 15th day of September and the 15th day of December in paragraph (a) to the 15th day of October and the 15th day of January, respectively, and from the 15th day of March and the 15th day of June in paragraph (b) to the 15th day of April and the 15th day of July, respectively;

and that resolution 20 be further amended by adding to the end of the final paragraph thereof the following:

"Such persons shall file their income tax returns on or before the 30th day of September in the year following the close of the taxation year."

That makes two important changes with regard to those who are paying in four instalments. The dates are made a month later throughout than the dates mentioned in the resolution, and another very important change is that so far as the yearly return is concerned, instead of its being made on the 31st day of March as at present, it will be made on the 30th day of September at the end of the instalment period.

Mr. GIBSON: I move accordingly.

Mr. HANSON (York-Sunbury): That is to be the general rule. I think the taxpayers of the country will be obliged to the minister for the change, because in my view the payments were coming too thick and sudden. If we are to have until October 15, it gives us a month longer in each case. I am wondering why the minister has made it necessary for corporations to pay on a monthly basis but is making a change with regard to personal incomes from the monthly basis, which I at least found so satisfactory, to the quarterly basis. Why should not a taxpayer have the right of election? Why has the method of last year been discarded altogether and the quarterly basis adopted? I do not think the delay in the filing of income tax returns until September will help him materially. It is the question of payments and how rapidly they are to be made that bothers most of us, and I wonder if the minister would take this into consideration and answer first this question: Why should corporations be allowed to pay income tax by monthly instalments, whereas individuals in certain categories-this applies only to individuals in certain categories-are required to pay by quarterly instalments? I should think those individuals who desire to pay by monthly instalments should have the same privilege extended to them as to corporations. Personally-and I think this would be true of a good many other small taxpayers-it would be very much more advantageous and easier to pay by monthly instalments than quarterly. You can budget so much more easily. There may be an administrative reason; I do not know. Has the work doubled, or has it greatly increased? Under the present system a man paid in the four months of 1941 a relative portion of his assessed tax. Then at the end of the year he made up his assessment and arrived at what balance was due, and he paid it in eight monthly instalments. We are still paying on these and shall be until the end of August. That position was a fair one, and it made it easier to pay. I wish the minister would tell us why the change has been made. That will be the first question.

Mr. GIBSON: There is nothing to prevent the taxpayer from paying on the monthly basis as heretofore.

Mr. HANSON (York-Sunbury): That will be in the statute?

Mr. GIBSON: No, but the income tax department will always take payments on account. He is required to pay at least quarterly but monthly payments can be made if desired.

Mr. HANSON (York-Sunbury): Thanks for that. The provision is then that the taxpayer will have an optional method of paying. He may pay in twelve monthly instalments if he chooses. In that event he would have to go on the same formula as last year, or he could make quarterly payments if he desired.

Mr. GIBSON: We are not even restricting him to monthly payments. He can pay as often as he likes, provided he pays the required amount within the quarter. We do not care if he pays every two weeks.

Mr. HANSON (York-Sunbury): He has to pay a quarter at least by October 15. He has just finished paying for 1941, and he will have September and half of October to pay a quarter of the whole.

Mr. GIBSON: Yes.

Mr. HANSON (York-Sunbury): That is a little severe. He has to pay in six weeks a three months' period. On this basis he would have to finish by July 15, and that is six weeks ahead of what he is doing this year. The whole thing has been moved up by several weeks.

Mr. GIBSON: There is overlapping.

Mr. HANSON (York-Sunbury): That will make it difficult.

Mr. MacNICOL: Moving the date from September 15 to October 15 will certainly help many people. In the cities on or before September 15 the last instalment of city taxes will just have been paid; the water rates will be due, and the householder has either put his coal in for the winter or is putting it in, so that the month's grace will help. But I wonder if even October 15 will not handicap a good many. There are some who would

[Mr. R. B. Hanson.]

like to pay all at once, but the discount does not make it worth while. Is it one per cent where the taxpayer pays all in advance?

Mr. GIBSON: There is no discount.

Mr. MacNICOL: Then there will be no advantage in paying in advance.

Mr. HANSON (York-Sunbury): Not a bit.

Mr. MacNICOL: What about the farmer? I am connected in one way with a farm, but it does not affect the farm I have in mind. Farmers' crops may be harvested by October 15, but they will not have been disposed of by that time. How will the farmer pay even on October 15 before receiving from the government, as in the western provinces, the allowance with respect to wheat, for instance? The fall payment on machinery will be due. I sincerely hope that the income tax will not work to the disadvantage of the whole country as so many seem to think it will. It certainly will come very hard on most people, advancing the payments from March 31 as they have been making them in the past, to October and January, at a time earlier than they formerly paid their taxes.

Mr. PERLEY: I am sure the minister will appreciate the plea made on behalf of the farmers by the hon. member for Davenport. He is always on the job, whether it is farming. mining or anything else. The change in the dates of the quarterly payments will be of some assistance, but I should like to have seen the first made November 15 at least, and the second, February 15. Western members can verify the fact that the farmer will not have much return by October 15. This year the season is late; expenses have to be met first; the quota on the first delivery may be very small, not many farmers will be able to take advantage of the first quarterly payment on October 15. Would the minister consider making it November 15? I have no objection to April and July.

Mr. ROSS (Souris): I should like to endorse what was said by the hon. member for Qu'Appelle, particularly with reference to this year. If the minister will discuss this matter with his colleague the Minister of Trade and Commerce, he will find he is having difficulty right now with his wheat board in trying to work out some arrangement whereby the coming crop can be marketed. There will be a tremendous shortage of help this fall, and even in a normal season October 15 is very early for the farmer to make his first payment. This is going to be an abnormal season. There is a great shortage of help on the prairies to take

Special War Revenue Act

Mr. HANSON (York-Sunbury): Are there any changes?

Mr. ILSLEY: There are a few provisions additional to the resolution. They are administrative, for the most part, and will be explained by my colleague the Minister of National Revenue. I was asked to consider many changes. I cannot remember them all, but they have all been considered.

Mr. HANSON (York-Sunbury): Articles purchased by instalment payment but not delivered—I do not know what clause that would come under.

Mr. ILSLEY: That is the retail purchase tax section, I suppose. I will bear that in mind and mention it when we come to it. I do not know how far I should go in drawing to the attention of the committee changes which have been made, but I want to do so, so that it will not be said that anything important was changed without the committee having been advised. There is a change made in the definition of "company", and in subsection 2 will be found paragraph (b) defining or interpreting the term "company".

Mr. HANSON (York-Sunbury): That is, insurance company?

Mr. ILSLEY: Yes. A change has been made with reference to companies all of whose business is the insuring of churches, schools, or other religious, educational or charitable institutions. The situation in the past has been that a mutual company which insured farm property to the extent of at least 50 per cent of its business was free from the special war revenue tax of one per cent on the premium. But that exemption did not extend to companies whose business was wholly the insuring of churches, schools or other educational or charitable institutions.

Mr. HANSON (York-Sunbury): Are there such companies?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Where?

Mr. ILSLEY: Parish mutuals, in the province of Quebec. When we prepared the resolutions we substituted a 3 per cent for a 1 per cent tax on those institutions, although there had never been any provincial tax on them. The result was clearly unjust. The whole question was then whether in preparing the bill we should remove the 2 per cent that we had inadvertently imposed in the resolutions, or whether we should relieve them altogether. Well, if their business is wholly— 100 per cent, not only 50 per cent as in the case of the farm mutuals—the insurance of churches, schools or other religious, educa-[Mr. Ilsley.] tional or charitable institutions, it seems to be a reasonable thing to remove it altogether. That is what is done here.

Mr. HANSON (York-Sunbury): Is it a large business, and would the amount of revenue be important?

Mr. ILSLEY: It is very small. I think there are only two which have been brought to my attention. I believe there are arrears due from one of them and they never knew they were taxed. We shall have to collect the arrears, but I do not think it makes much difference.

Mr. HANSON (York-Sunbury): The total premium income of two small parish companies would not be very much.

Mr. ILSLEY: They might not be so small. I do not know just what it is, but my impression is that it is not a very serious matter.

Mr. LOCKHART: Does that enable the setting up of new companies which may be relieved too?

Mr. ILSLEY: Yes, if there are mutuals formed, 100 per cent of whose business is the insuring of these institutions there will be no tax on their premiums.

Mr. HANSON (York-Sunbury): What steps do you take to ascertain that it is a 100 per cent, that their operations are limited to this business? Is there any inspection? Does the superintendent of insurance make any examination of their books?

Mr. ILSLEY: He has to ascertain the facts in some way or other.

Mr. SENN: Do I understand that there is no tax on farmers' mutual fire insurance companies?

Mr. ILSLEY: There is none if 50 per cent of their business is the insurance of farm property. That exception was inserted some years ago, at the instance of the late Mr. Cayley, who was the member for one of the Oxfords. He pressed very strongly that farm mutuals be relieved, and they were relieved.

Mr. HANSON (York-Sunbury): And that is maintained here?

Mr. ILSLEY: It is maintained here, yes.

Section agreed to.

Sections 3 and 4 agreed to.

On section 5-Tax on certain insurance companies upon net premiums.

Mr. DIEFENBAKER: Why is it that, for instance, Lloyd's are required to pay 3 per cent tax and other companies in the Domin-

on raw leaf tobacco there was an advantage of 25 cents a pound to the producers of that commodity, that being the amount of the duty on manufactured tobacco when there was no duty on the raw leaf. It became necessary to raise the duty on manufactured tobacco to 35 cents a pound, and it was felt necessary to maintain the old relativity by imposing a duty of 10 cents a pound on raw leaf tobacco. This still left a spread of 25 cents a pound. In this budget we are increasing the duty on manufactured tobacco to 51 cents a pound, and have increased the duty on raw leaf tobacco by 10 cents a pound. This increases the spread between manufactured and raw leaf tobacco to 31 cents a pound. It would give a great competitive advantage to raw leaf tobacco if we left the preference in favour of that commodity at 41 cents a pound, which is what the hon. member is advocating.

Mr. HOWDEN: Is this an excise tax?

Mr. ILSLEY: It is what we call an excise duty. The difference between an excise duty and an excise tax is that the duty is payable before the goods are released. While the committee may not be interested in the outlays of the manufacturing companies, it must be remembered that their initial outlay is simply enormous. We have had strong representations against our adopting the duty principle in regard to the manufacturers, because it forces them to have many millions of dollars tied up for substantial periods. They must pay the money to the government before they can sell, before their product can be released, and their money is tied up for months, sometimes for longer periods. I am afraid that it would be a violation of the principle applicable to competitive business if we left too great a spread between the tax on raw leaf and the tax on manufactured tobacco. Raw leaf tobacco is a competitive product because people put it in their pipes to smoke. We did not think we could go any further in increasing the spread.

Mr. HOWDEN: Have the local growers any tariff advantage over American tobacco?

Mr. ILSLEY: There is a heavy duty on importations.

Mr. HOWDEN: Then they will still have some advantage?

Mr. ILSLEY: The hon. member was not complaining about imported tobacco. I think there is sufficient protection against that. He was referring to the heavy outlay which the small man has to make to put himself into a position to sell.

Mr. HOWDEN: I gathered that the farmers get only about 10 cents a pound for

their tobacco, and if this tax is going to run it up to 20 cents, it would seem to be a poorpaying proposition for them.

Mr. ILSLEY: The farmers were selling tobacco to the manufacturing companies. I do not know what the price was, but I remember that we discussed it at length before the price spreads committee some years ago. It is away below the duty.

Mr. FERLAND: What was the revenue from the tax on tobacco during the fiscal years 1940 and 1941 from the month of August?

Mr. ILSLEY: The quantity of Canadian raw leaf tobacco sold for consumption and the duty collected since the inception of this item was as follows: For the fiscal year 1940-41 from August 1, 1940, rate 10 cents per pound, quantity in pounds, 1,754,173, and excise duty collected \$175,417.40; for the fiscal year 1941-42, rate 10 cents per pound, quantity in pounds, 3,458,006, and excise duty collected \$345,899.30.

Section agreed to.

Preamble agreed to.

Bill reported, read the third time and passed.

CUSTOMS TARIFF

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 111, to amend the Customs Tariff.

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

Sections 1 to 3 inclusive agreed to.

On the schedule:

Mr. STIRLING: On several occasions when this bill was in the resolution stage the minister said that he would give consideration before the bill was presented to certain questions which had been raised. Were there any such in connection with this schedule?

Mr. ILSLEY: There were none in this one.

Schedule agreed to.

Bill reported, read the third time and passed.

SPECIAL WAR REVENUE ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 114, to amend the Special War Revenue Act.

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

Section 1 agreed to.

On section 2-"Company."

Excise Act Amendment

this type of tobacco, but that was removed by the Liberal government in 1923. When the new tax of 10 cents a pound was imposed in 1940 I made representations to the Minister of Finance and some other ministers of the crown against the tax. At the same time, at my request, the premier of Quebec, Mr. Adelard Godbout, made representations. Then, the farmers' organization, L'Union Catholique des Cultivateurs, and some other interested organizations, made their representations. However our requests were not met. The answer to our protest was that the raw leaf tobacco industry was amply protected through the higher taxation on manufactured tobacco. Last year's tax on Canadian raw leaf tobacco was 10 cents a pound, and on manufactured tobacco it was 35 cents a pound. To-day under the present scheme the tax is increased on all Canadian raw leaf tobacco from 10 cents to 20 cents a pound, and on the manufactured or cut tobacco it is increased from 35 cents to 51 cents a pound. Then, there are increases to the extent of a few dollars a pound on other types of manufactured tobaccos, and on cigars and cigarettes. Of course the difference between the tax on Canadian raw leaf tobacco and that on other types is very great.

This great change in taxation is not helpful to the situation faced by the tobacco growers in my district of Quebec. The tobacco industry in that province has been developed under special conditions, and to-day the majority of small dealers cannot carry on their trade. Many of them have been put out of business in the last year. The reason is that some of these people were engaged in the distribution to consumers of pipe tobaccos. Those small dealers have only small capital, and have not had sufficient money to buy their tobacco, to prepare and steam it and put it on the market. They have not had sufficient money to advance to the government to cover the tax. To-day only those tobacco packers under licence are permitted to buy, prepare and steam tobacco. If a dealer wants to buy 5,000 pounds of tobacco he must first pay at least \$500 to the farmer. Then he must spend another \$500 to prepare and steam the tobacco, and to distribute it to the consumer. Then, on 5,000 pounds at 20 cents a pound he must advance to the government \$1,000, making a total of \$2,000 expenses before he may expect to receive any profit. From these facts it is clear that those poor, humble dealers who used to make their living by dealing in tobacco cannot afford to invest such large sums of money, and have had to go out of business.

There is a further reason for our objection to the tax. The growers of tobacco in my [Mr. Ferland.] district in Quebec used to produce from 5,000,000 to 7,000,000 pounds of big and small types of tobacco each year. That tobacco was distributed in great part by the small dealer. As I pointed out earlier, those who held the monopoly were not greatly interested in buying these types of tobacco. It is probable that the tobacco trusts found there was not sufficient profit in that business, and therefore in the past they bought only a small proportion of the production.

If the farmers lose their markets because of the new tax and the restrictions imposed under the new regulations they will have no market at all. Last year, when the tax was only 10 cents a pound, the farmers were forced to reduce their production, and with the imposition of this new tax they are facing a crisis. I consider it my duty to protest against this tax. It seems to me that the Minister of Finance could find some other method of raising revenue and be able to leave this tax at 10 cents a pound. The new tax of 20 cents a pound is unfair and unjust to the farmers of my district and of the province of Quebec. It is not a liberal way of dealing with a group of farmers.

Mr. ILSLEY: This is only one item in the Excise Act, and I think it could be more appropriately discussed when we are in committee of the whole—I mean by myself; I am taking no exception to my hon. friend's speech.

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

Section 1 agreed to.

On section 2-Schedule.

Mr. NICHOLSON: What are the comparable rates on spirits in the United States, Great Britain, Australia and New Zealand?

Mr. ILSLEY: I gave the rate proposed in the United States, which is higher than the present rate. My recollection is that the proposed rate is \$6 per gallon, but I am not sure about that. It is either \$6 or \$7. I shall try to get the correct information before this goes through. In the United Kingdom the rate under the new budget is £6. 17s. 6d. I have not the rates for Australia and New Zealand. Our rate must be governed to a certain extent by the United States rate, otherwise there might be a flow of smuggled spirits northward.

The hon. member for Joliette-L'Assomption-Montcalm (Mr. Ferland) raised the question of the duty on raw leaf tobacco. Some relativity must be maintained between the duty on manufactured tobacco and the duty on raw leaf tobacco. Before any duty was placed

Excise Act Amendment

drink only good liquor, prohibition would not be necessary. Of course abuse is wrong. Why not use moderately the good things that come from the soil or that nature gives us, provided that one is reasonable and does not carry it to excess? Therefore, sir, it seems to me that those who are in earnest in preaching not only prohibition but temperance should see to it that in the first place the liquor is not adulterated. Liquor should be prepared according to the formulae that have been deposited with the Department of National Revenue. That department keeps a check on the manufacture of liquor, and I do not see why the same check is not maintained on the advertising of liquor. It seems to me that if the Department of National Revenue is to be strict in imposing upon the manufacturers of liquor the obligation to conform very closely to the formulae that have been accepted by the proper officials of that department, then the Department of Pensions and National Health should exercise the same care with regard to the advertising of all liquor and all concoctions. But it does not.

What is essential in order that people may not be deceived? It is to see that a thing is advertised as it really is. Let me quote an example; let us take gin. The formula for gin is standard. Gin is a product which comes from the distillation of grain; afterwards redistilled with aromatic herbs. A few years ago the department here issued an order to the effect that any liquor which was not manufactured according to that formula could not be called gin; but after strenuous efforts had been made on behalf of another concoction, it was decided that a new name would be given another product, which was called compound gin. Compound gin is not at all the same as gin. It is made not of grain alcohol, but of molasses alcohol; and molasses alcohol is a product that comes of the thresh of sugar cane, after granulated sugar has been extracted from it. Originally all that thresh was thrown away as refuse, but now it is redistilled and the socalled molasses alcohol produced, which is then used in cold mixing. Well, I hear that this cold mixing is the way the "cariboo" was made during prohibition. It is not done in stills but in large containers, and then it is mixed with a syrup of aromatic herbs; I do not know whether or not those include dandelions.

I am very much surprised that in spite of the fact that I have repeatedly brought this matter to the attention of the Minister of Pensions and National Health, he has not taken it as seriously as he should. You know, sir, when after work a man stops at the liquor store to buy a little refreshment he feels some superiority over the other fellow because he thinks he is buying imported gin, Geneva gin,

which is the Holland name for it. He goes to the store and asks for a little flask and goes away with it, and the only satisfaction he gets is in reading the label. But that label is false, because it describes that concoction as gin, while it is not. We see the word "Holland" on the label in big letters, but it is not made in Holland. We see the word "Rotterdam," but it is not made in Rotterdam. It is a concoction made right in Montreal from the refuse of sugar cane. Therefore I hope the minister will see to it that this product is advertised as it should be, not as it was in years gone by, when John de Kuyper gin was real gin. Now it is not. I hope the minister will take the matter seriously and see to it that in future this concoction is advertised as compound gin, so that people who buy it will know that it is not the imported product.

Mr. MacNICOL: May I ask the hon. member what effect it has on the human race?

Mr. FULFORD: Are there not other manufacturers in Canada who sell their products under the name of Geneva gin? I think there is a firm called Melcher's, is there not? I am not sure.

Mr. POULIOT: As the hon. member knows, I have no right to speak again.

Mr. SPEAKER: I would remind hon. members that this is the motion for second reading. We are not in committee.

Mr. LECLERC: Perhaps it would be more interesting if we had a sample of the different gins.

Mr. POULIOT: I had a sample once, but it was an empty bottle.

Mr. C. E. FERLAND (Joliette-L'Assomption-Montcalm): Mr. Speaker, in rising to oppose this amendment to the Excise Act I wish first to express my deep regret that the tax on Canadian raw leaf tobacco has been increased from 10 cents to 20 cents a pound. I protest again against this excessive tax on the Canadian natural product, for which in my district the farmer is paid only 10 cents a pound. I believe the new tax will give the coup de grace, the final stroke, to the tobacco industry in my district in Quebec. The constituency of Joliette-L'Assomption-Montcalm is the largest centre of production of raw leaf pipe tobacco in Quebec, and in that district there has been a high development of production and distribution.

Our Quebec tobaccos have been popular throughout Canada, and pipe smokers know very well that the tobacco produced in my district is of the best. During the first great war a tax of 5 cents a pound was placed on

Labour Conditions

LABOUR CONDITIONS

LAYING OFF OF MEN IN PROVINCIALLY OPERATED COAL MINE IN NOVA SCOTIA

On the orders of the day:

Hon. HUMPHREY MITCHELL (Minister of Labour): The leader of the opposition (Mr. Hanson), the hon. member for Cape Breton South (Mr. Gillis), and the hon. member for Inverness-Richmond (Mr. McGarry), asked me about the adoption of the single shift system at the Inverness coal mine at Inverness, Nova Scotia. I think this should be stated, that I received no copy of the telegram except through my hon. friends. I requested the provincial authorities of Nova Scotia to furnish me with the necessary information to enable me to reply.

The mine in question is owned by the government of Nova Scotia. Those responsible for the operation of the mine reported a serious situation due to absenteeism. For example, for the period from January 2 to July 10, 1942, with a labour force of 312 men. they reported that during 152 working days approximately eight thousand shifts were lost by the employees. On the night shift of July 7 a number of men were off work. On July 8 the miners did not turn out for work because of the annual horse races, and the mine was idle. On July 9 the miners did not turn out for work, and again the mine was idle. On July 10 some men were off on the day shift, and on the night shift more than 25 per cent of the total working force of the miners failed to turn out. The absenteeism was causing loss of production, and the cost of operation was excessive. For these reasons the management decided to single-shift the mine, and worked out a programme that would increase production and bring about more stabilized and uniform conditions.

The majority of the men belong to the United Mine Workers of America. I know that it has been stated to some hon. members that the change in working conditions was a breach of a contract with the union. However, the provincial authorities are of the opinion that no breach of contract took place, because the district executive of the union have been told verbally on more than one occasion that the change might be necessary unless the serious condition of absenteeism was overcome.

As to the effect of single-shifting the mine, there are, as I indicated, 312 men on the payroll. Of this number 237 are at present employed, leaving about 75 men immediately affected. The management believe that the absorption of all the men will take place [Mr. Ilsley.] very shortly if the cooperation of the working force is obtained and production can be increased.

It appears that the quality of coal is not as good as it was formerly, and the management are faced with the necessity of increasing the output or considering closing down the mine.

Mr. HANSON (York-Sunbury): Does the minister take the responsibility for that statement, or is it just the information which he has received from the government of Nova Scotia?

Mr. MITCHELL: It is a statement I have received from the government of Nova Scotia.

EXCISE ACT, 1934

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 110, to amend the Excise Act, 1934.

Hon. R. B. HANSON (Leader of the Opposition): There is I think a disposition on the part of everyone in this house to expedite the passage of these bills, in order that we may finish the other business of the session. I am not going to make a speech on any one of them, least of all on this one. But since the Prime Minister (Mr. Mackenzie King) is in his seat, and this is the bill which deals with the question of the increase in the excise duties on liquors, and having regard to the debate which has taken place in this house on at least two occasions with respect to the question of the consumption of liquor in Canada, I desire to ask the Prime Minister if he and the administration have given any consideration, other than that indicated by the Minister of Finance, to this great national problem in war time?

Right Hon. W. L. MACKENZIE KING (Prime Minister): The government has been giving very careful and repeated attention to the question. I agree with my hon. friend the leader of the opposition that it is a great national question. So far as I personally am concerned, anything that can possibly be done to control the liquor traffic will be done. But as the hon. gentleman knows, the matter does not rest entirely with the federal government; there are other governments that have control. Certainly I think that at any time, and most of all in war time, every effort should be made to restrict the liquor traffic as much as possible.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Temperance is a great virtue. But a wine-taster who was my guest some years ago told me at dinner that if everybody would

Postal Service

	Nays	
Bertrand Parent Jean Dupuis Marier	(Prescott)	Brunelle Cote Picard Halle

Mr. DUPUIS: I was paired with the hon. member for London (Mr. Johnston). Had I voted, I would have voted for the amendment and against the third reading of the bill.

Mr. BERTRAND (Prescott): I was paired with the hon. member for Springfield (Mr. Turner). Had I voted, I would have voted against the third reading.

Mr. GAUTHIER: The hon. member for Quebec West and South (Mr. Parent) was paired with the hon. member for Cochrane (Mr. Bradette): Had he been here to vote, he would have voted against the motion.

Mr. COTE: I was paired with the hon. member for Athabaska (Mr. Dechene). Had I voted, I would have voted against the motion.

Mr. BRUNELLE (Translation): I was paired with the hon. member for Portage la Prairie (Mr. Leader). Had I voted I would have voted against the motion.

Motion agreed to and bill read the third time and passed.

On motion of Mr. Mackenzie King the house adjourned at 11.08 p.m.

Friday, July 24, 1942

The house met at eleven o'clock.

REPORTS OF COMMITTEES

(Translation) Third report of the joint committee of both houses on the printing of parliament.—Mr. Dupuis.

Second report of special committee on honours and decorations—Mr. Macmillan.

POSTAL SERVICE

REGULATIONS RESPECTING PARCELS AND NEWS-PAPERS MAILED FOR OVERSEAS

On the orders of the day:

Hon. W. P. MULOCK (Postmaster General): Yesterday the hon. member for Peterborough West (Mr. Fraser) made an inquiry in regard to change in regulations as to parcels to be sent overseas by mail. In regard to gift parcels for civilians in the United Kingdom, these parcels were first restricted in 1941, when, at the request of the British administration, a maximum weight of five pounds was imposed. Recently the British administration advised that these regulations permitting the importation of gift parcels not exceeding five pounds gross weight are now applicable only if such parcels are not sent more frequently than once a month.

It will be noted that the orders restricting the sending of gift parcels were issued in order to conserve shipping space for more urgent supplies. There has been no change as regards the weight limit of parcels to our soldiers, which remains at eleven pounds.

Mr. REID: Are there any restrictions on newspapers?

Mr. MULOCK: In order to ensure that all available ocean transportation space is devoted to war essentials, it has been found necessary to take steps to reduce the volume of newspapers to civilians and to the troops in the United Kingdom and other transatlantic destinations, as well as to destinations in central and south America, Bermuda and the West Indies.

Effective August 10, complete newspapers or periodicals will not be accepted from the general public for transmission to such destinations. People who formerly sent newspapers or periodicals to destinations affected by this restriction are being requested to forward clippings of special interest instead. Publishers have agreed to cooperate, and the question of newspapers and periodicals mailed to subscribers at the destinations referred to is at present under consideration.

Further information in respect to this matter will be given through departmental publications, the press and radio.

BEEF

APPOINTMENT OF ADVISORY COMMITTEE UNDER WARTIME PRICES AND TRADE BOARD

On the orders of the day:

Mr. M. C. SENN (Haldimand): I wish to ask a question of the Minister of Finance. A news item over the radio yesterday stated that the wartime prices and trade board had appointed an advisory committee to deal with the beef situation. Will the minister state whether that is correct, and also see that the names are brought down at the earliest possible day? The estimates for agriculture will be up in the course of a day or two.

Hon. J. L. ILSLEY (Minister of Finance): I will get that information and present it on the orders of the day to-morrow.

Mr. HANSON (York-Sunbury): Could the minister get it for this afternoon? Agriculture may be up soon.

Mr. ILSLEY: I will try.

Columbia (Mr. Mayhew) was paired with the hon. member for Jacques Cartier (Mr. Marier). Had the hon. member for Jacques Cartier voted he would have voted for the amendment.

Mr. GAUTHIER: The hon. member for Quebec West and South (Mr. Parent) was paired with the hon. member for Cochrane (Mr. Bradette). Had he voted he would have voted for the amendment.

Mr. BERTRAND (Prescott): I was paired with the hon. member for Springfield (Mr. Turner). Had I voted I would have voted for the amendment.

Mr. BRUNELLE (Translation): I was paired with the hon. member for Portage la Prairie (Mr. Leader). Had I voted I would have voted for the amendment.

Mr. SPEAKER: The question is on the main motion. May I assume that all members are here and ready to take the vote?

The house divided on the main motion (Mr. Mackenzie King), which was agreed to on the following division:

YEAS

Messrs: Abbott Adamson Bence Bercovitch Bertrand (Laurier) Black (Chateauguay-Huntingdon) Black (Cumberland) Blackmore Boucher Bruce Casselman, Mrs. (Edmonton East) Casselman (Grenville-Dundas) Chevrier Church Claxton Cleaver Corman Crerar Cruickshank Diefenbaker Donnelly Douglas (Queens) Edwards Emmerson Esling Evans Fair Farquhar Fleming Fraser (Northumber-land, Ont.) (Peterborough West) McCubbin Fraser Fulford Furniss Gardiner Gershaw Gibson [Mr. Durocher.]

Gladstone Golding Grant Gray Graydon Green Gregory Hansell Hanson (Skeena) Hanson (York-Sunbury) Harris (Danforth) Hazen Healy Henderson Hill Hlynka Homuth Howden Howe Hurtubise Ilsley Isnor Jackman Johnston (Bow River) King, Mackenzie Kinley Kirk Kuhl Leduc Leger Little Lockhart McCann McCulloch MacDiarmid Macdonald (Brantford City) Macdonald (Halifax)

Macdonald (Kingston City) McGarry McGeer McGibbon McGregor McIlraith McIvor MacKenzie (Lambton-Kent) MacKenzie (Neepawa) Mackenzie (Vancouver Centre) MacKinnon (Edmonton West) McKinnon (Kenora-Rainy River) MacKinnon (Kootenay East) McLarty MacLean (Cape Breton North-Victoria) McLean (Simcoe East) Macmillan McNevin (Victoria, Ont.) McNiven (Regina City) MacNicol Marshall Matthews Michaud Mitchell Moore Mulock Neill Nielsen, Mrs.

O'Neill Perley Pinard Pottier Purdy Quelch Ralston Reid Rennie Rickard Roebuck Ross (Calgary East) Ross (Hamilton East) Ross (Middlesex East) Ross (Moose Jaw) Ross (Souris) St. Laurent Sanderson Senn Shaw Sissons Soper Stirling Stokes Telford Thorson Tripp Turgeon Tustin Veniot Vien Ward Warren Weir White Whitman Winkler-141.

NAYS Messrs:

Authier Bertrand (Terrebonne) Lacombe Blanchette Bonnier Bourget Cardin Castleden Cloutier Coldwell Crète d'Anjou Douglas (Weyburn) Dubois Durocher Eudes Fauteux Ferland Ferron Fontaine Fournier (Hull) Fournier (Maison-Roy neuve-Rosemont) Gauthier Gillis

Nixon

Gingues Lacroix (Beauce) LaCroix (Quebec-Montmorency) Laflanıme Lafontaine Lalonde Lapointe (Matapedia-Matane) Leclerc Lizotte McDonald (Pontiac) MacInnis Nicholson Noseworthy Poirier Pouliot Raymond Rhéaume Ryan Thauvette Wright-45.

PAIRS

(The list of pairs is furnished by the chief whips.)

Messrs:

Turner Bradette Power Johnston (London) Mayhew Yeas Leader Dechene Tucker Mutch

group, "Now listen. This whole thing is a family quarrel. We will just walk out and and let the Liberals settle their own family problem. The people have spoken. The people have said 'yes'. That should be the final word." But instead we have been talking, talking, talking. Therefore, Mr. Speaker, without doing any more talking, I shall resume my seat.

The house divided on the amendment (Mr. Roy) which was negatived on the following division:

YEAS

Messrs:

Authier Bertrand (Terrebonne) Lacombe Blanchette Bonnier Bourget Cardin Cloutier Crète d'Anjou Dubois Durocher Eudes Fauteux Ferland Ferron Fontaine Fournier (Hull) Fournier (Maisonneuve-Rosemont) Gauthier

Gingues Lacroix (Beauce) LaCroix (Quebec-Montmorency) Laflamme Lafontaine Lalonde Lapointe (Matapedia-Matane) Leclerc Lizotte McDonald (Pontiac) Poirier Pouliot Raymond Rhéaume Roy Ryan Thauvette-37.

NAYS

Messrs:

Abbott Adamson Bence Bercovitch Bertrand (Laurier) Black (Chateauguay-Huntingdon) Black (Cumberland) Blackmore Blair Boucher Bruce Casselman, Mrs. (Edmonton East) Casselman (Grenville-Dundas) Castleden Chevrier Church Claxton Cleaver Coldwell Corman Crerar Cruickshank Diefenbaker Donnelly Douglas (Queens) Douglas (Weyburn) Edwards Emmerson Esling Evans Fair

Farquhar Fleming Fraser (Northumber-land, Ont.) Fraser (Peterborough West) Fulford Furniss Gardiner Gershaw Gibson Gillis Gladstone Golding Grant Gray Graydon Green Gregor Hansell Hanson (Skeena) Hanson (York-Sunbury Harris (Danforth) Hazen Healy Henderson Hill Hlynka Homuth Howden Howe Hurtubise

Ilslev

Mobilization Act-Division

Isnor Jackman Johnston (Bow River) King, Mackenzie Kinley Kirk Kuhl Leduc Leger Little Lockhart McCann McCuaig McCubbin McCulloch MacDiarmid Macdonald (Brantford City) Macdonald (Halifax) Macdonald (Kingston City) McGarry McGeer McGibbon McGregor McIlraith MacInnis McIvor MacKenzie (Lambton-Kent) MacKenzie (Neepawa) Mackenzie (Vancouver Centre) MacKinnon (Edmonton West) McKinnon (Kenora-Rainy River) MacKinnon (Kootenay East) McLarty MacLean (Cape Breton North-Victoria) McLean (Simcoe East) Macmillan McNevin (Victoria, Ont.) McNiven Whitman (Regina City) Winkler MacNicol Wright-150.

Marshall Matthews Michaud Mitchell Moore Mulock Neill Nicholson Nielsen, Mrs. Nixon Noseworthy O'Neill Perley Pinard Pottier Purdy Quelch Ralston Reid Rennie Rickard Roebuck Ross (Calgary East) Ross (Hamilton East) Ross (Middlesex East) Ross (Moose Jaw) Ross (Souris) St. Laurent Sanderson Senn Shaw Sissons Soper Stirling Stokes Telford Thorson Tripp Turgeon Tustin Veniot Vien Ward Warren Weir White

PAIRS

(The list of pairs is furnished by the chief whips.)

Yeas Magana

	messis.	
Bertrand Parent Jean Dupuis Marier	(Prescott)	Brunelle Cote Picard Halle
		Nays
Turner Bradette Power Johnston	(London)	Leader Dechene Tucker Mutch

Mayhew

Mr. COTE: I was paired with the hon. member for Athabaska (Mr. Dechene). Had I voted I would have voted for the amendment.

Mr. DUROCHER: I am authorized to say that the hon. member for Victoria, British

changed since the beginning of the war I do not understand that language. When he talks in that language he can mean only one thing, that you might just as well win the war ten years from now as win it now.

That is an entirely wrong attitude to take. I therefore do not rise in defence of the stand that this group has taken ever since the war began. We will contend for that stand, for it is the only stand that can be taken in time of war.

As I listened to the speeches to-day I could not help thinking that in this chamber, which has sometimes been called the highest court in the land, the game of politics is now being played. I declare that this issue of conscription has been the political football of this country ever since the war commenced, notwithstanding anything that anyone can say to the contrary. It was so in the election of 1940; it was so in the plebiscite, and it is so in this debate. Politics, politics, politics! When somebody talks politics the house applauds; when anyone talks regular basic common sense no notice is taken of it, or else we are incapable of knowing what it means. As I listened to the leader of the opposition (Mr. Hanson), I did not hear all his speech, and as I listened to the Prime Minister, it took me back to my school days and I felt like saying, "Now boys, boys, boys, do not fight like that."

What is the issue? To my mind the issue is to put into practice now what the people said should be put into practice when they put a little X mark opposite that word "yes". That was the vote of the people. That was the voice of democracy. When the people speak with a voice as loud as they did that day that should end all debate. When the people speak that should be the last word. But what have we seen displayed in this house? I think there have been nearly one hundred speeches made in an attempt to explain what the little X mark meant after the word "yes". The voice of the people expresses the will of the people, and the will of the people is supreme. When they voted "yes" that was the "go" sign for the government to put all they had into this war. That needs no explanation; it needs no debate. Then what have we been talking about? We have simply been vying with one another in making it a political issue. We of this group refuse and have refused to play politics. If it had not been for the vote about to be taken, and all other groups having spoken, we would have remained silent. We refuse to play politics in time of war.

There is one thing that bothers me. I have not been able to understand what the [Mr. Hansell.]

Prime Minister means when he talks of coming back to parliament for this vote of confidence. I am sorry I have to take this attitude, but almost every time the Prime Minister speaks I have to regard it as having some sort of political significance. Perhaps I am not right in that; I hope I am not too suspicious. I am not an old hand in parliament; I have been here only since 1935, but somehow or another-I cannot explain why-when some proposal is made by the Prime Minister I wonder what political dodge he is up to. He now proposes to come to parliament to ask for a vote of confidence. What does that mean? Almost everything we vote on here is a vote of confidence or no confidence, depending upon the way the vote goes.

There is something else which I do not understand, which I cannot think my way through, for I like to be as logical as I can. The Prime Minister says, "We will come for a vote of confidence in this administration." Well, you know, if I were certain that this was a parliament of the people I could believe in the veracity of his action in that regard; but this parliament, I maintain, is no longer a parliament of the people, whatever we may say about it. This is a parliament of parties; we may as well make up our minds to that at once. When the Prime Minister comes to this parliament for a vote of confidence, I think I know what is going to happen. The whips are going to begin to crack, to whip members into line, and when the vote is taken we know how it will go. I fail to see where that is a vote of confidence. To make my illustration clear, let us suppose that the three opposition groups in this house refuse to vote confidence, but that the large Liberal majority votes confidence. Will the Prime Minister say that is a vote of confidence by parliament?

Some hon. MEMBERS: Why not?

Mr. HANSELL: Certainly that is what he will do. It will be a vote of confidence by his own party; of course it will.

Some hon. MEMBERS: By the majority.

Mr. HANSELL: Yes, elected by the people of the country and whipped into line by party politics. I cannot help thinking that this whole debate could have been settled by the Liberal party itself. Do you know, Mr. Speaker, what I think should have taken place? Of course I may be blamed for not having recommended this to the leader of the opposition, but do you know what I think he should have done when the resolution preceding this bill was brought down? He should have said to his party, to the Cooperative Commonwealth Federation group, and to this

meantime the population of Ontario had increased and was larger than the population of Quebec, and they asked, not equal representation, but proportional representation, and for the sake of national unity the province of Quebec again consented. As a matter of fact, we have not even proportional representation, but that is something about which I shall have to speak on some other occasion. In 1939, when war was declared, the province of Quebec was asked to consent to participation, again in the name of national unity, and the province of Quebec consented to participation, but on the express condition that there would never be any question of conscription. Now in the name of national unity Quebec is again asked to consent to conscription, notwithstanding the pledge that had been given in 1939 to that province. Well, there must be a limit to sacrifice, always at the expense of the province of Quebec.

Reference has also been made by the leader of the opposition to privileges enjoyed in the province of Quebec by virtue of the British North America Act. Let me say that these are not privileges but rights.

Mr. HANSON (York-Sunbury): Did I use the word "privileges"? I said "contractual obligations."

Mr. RAYMOND: They are rights. There was a contract in 1867, and I dare anyone in this house or anyone outside it to cite one fact to show that the province of Quebec has not fulfilled all its obligations under the British North America Act. In the province of Quebec French Canadians are the majority, and we have always fulfilled our obligations and always respected the rights of the minority. Unfortunately, however, I do not think the same can be said of all the other provinces.

This afternoon the hon. member for Trinity said that in a democracy the majority should rule. I agree entirely with that principle. In a democracy the majority should rule, but may I add that the majority should never abuse its powers, and when a pledge has been given by the majority to the minority it is sacred. In this case a most solemn pledge, so qualified by the Prime Minister, was given by the majority to the minority. Think of it! We are now asked to pass a bill to conscript men to go and fight for a broken pledge. It has been said that the government has been released from that pledge. That is not a fact. The government has not been relieved from its pledge because the pledge was given to the minority. I have only to refer to the compromise made in September, 1939. Mr. Lapointe, speaking in the name of the province of Quebec, said this, when war was

declared. I am quoting from page 68 of *Hansard* of that date:

The whole province of Quebec . . . will never agree to accept compulsory service or conscription outside of Canada. . . .

Provided these points are understood, we are willing to offer our services without limitation and to devote our best efforts for the success of the cause we all have at heart.

This is the condition which has been asked of the majority for our participation. It was agreed to, and the Prime Minister has said that it was the most solemn pledge that had ever been given to a group. When they say that the plebiscite has relieved the government from its pledge I say no, because the pledge was given by the majority to the minority, and the province of Quebec has voted almost unanimously against relieving the government from this pledge. But to-day we are asked in the name of national unity to relieve the government from its pledge when the population has refused to do so; and because the province of Quebec is refusing, some people treat the province of Quebec as a disloyal province. Since when has disloyalty consisted in asking someone to respect their pledge? Is it not the one who wants to violate the pledge that is disloyal?

I am not going to insist any more, but I wanted to say to the house before this bill passes that if it is passed it is passed at the price of a broken pledge.

Mr. E. G. HANSELL (Macleod): I would not rise to take part in this debate but for the fact that we of this group have remained silent. We have not yet spoken to this bill, and therefore it behooves us to say just a word before the vote is taken.

As I sat here and listened to the debate on this bill as well as on its resolution stage, but more particularly to what I have heard to-day, I have been convinced of one thing, that there are political parties in this house that have something that they have to defend. I come to you this evening, Mr. Speaker, and I say that the only wise stand that could ever have been taken in time of war from the very beginning, from the time Canada declared war on Germany, was a stand for an all-out war effort. That is the stand that this group with which I am affiliated took in those days. It is the only stand that needs no defence. It is the only common-sense stand. It is not a political stand. We tossed politics to the wind in those days; we went out to this country as all parties went out, but we went out and told our constituents that war was war. There are no degrees in war. When the Prime Minister (Mr. Mackenzie King) speaks of things having

Mobilization Act-Mr. MacInnis

A great many things have happened since 1939. I could believe far more in the sincerity of the Prime Minister in many of the things he said if he had not cheered the canards of the leader of the opposition earlier this evening. But if we have changed our position, so has the Prime Minister. As late as March 30, 1939, he said, as reported in Hansard at page 2419:

We have tremendous tasks to do at home, in housing the people, in caring for the aged and helpless, in relieving drought and unemployment, in building roads, in meeting our heavy burden of debt, in making provision for Canada's defence, and in bringing our standards of living and civilization to the levels our knowledge now makes possible. There is no great margin of realizable wealth for this purpose; we must, to a greater or less extent, choose between keeping our own house in order, and trying to save Europe and Asia. The idea that every twenty years this country should automatically and as a matter of course take part in a war overseas for democracy or self-determination of other small nations, that a country which has all it can do to run itself should feel called upon to save, periodically, a continent that cannot run itself, and to these ends risk the lives of its people, risk bankruptcy and political disunion, seems to many a nightmare and sheer madness.

That was in 1939. My right hon. friend referred to-night to Munich, and said that at the time of Munich he told his cabinet that if war developed at that time Canada should go into the war. Yet eight or nine months later he said that for Canada to take part in these foreign wars was sheer madness. Was the right hon, gentleman on that occasion currying favour with the province of Quebec? If he wants his protestations of sincerity to be taken at their face value, he should not cheer or pound his desk when the leader of the opposition in his ignorance casts aspersions on this group. I may say that since this war began we have advocated one thing only; we have demanded that if we are going to conscript men and use men's lives in winning this war, we should conscript the wealth and the industries of the country to fight the war. I want to tell the Prime Minister that there is not a group in this house, neither his own members, nor the official opposition, nor the group to my left, who have been more careful not to embarrass either himself or his ministers in the carrying on of the war than the group which sits behind me in these rows of seats. I challenge him to bring forward one instance where we have said or done anything that could possibly embarrass him. We did not do so because we realize the importance of winning this war.

I regret having to take up the time of the house to discuss these matters to-night, but unfortunately the leader of the opposition [Mr. MacInnis.] had to be answered. The statesmanship shown by the leaders of the two major groups in the house this evening is something that should give the people of Canada food for thought. We have an amendment before us which would delay this bill going into action, even such action as is offered by the government. Since its only purpose is to delay the measure, this group will vote against the amendment.

Mr. MAXIME RAYMOND (Beauharnois-Laprairie): I had not intended to take part in this debate on the third reading of the bill, but in view of certain observations made this afternoon by the leader of the opposition (Mr. Hanson) and the hon. member for Trinity (Mr. Roebuck), I wish to make a few remarks. I have already expressed my views on the principle of the bill, and I have also stated my reasons for opposing it. I do not intend to repeat them. But let me say this. If before hearing the speeches delivered by the Prime Minister and most members of the cabinet I had the slightest hesitancy about opposing the bill, after listening to those speeches that hesitancy would have disappeared entirely. The speeches delivered by the Prime Minister and most members of the cabinet have demonstrated that this measure is inopportune; that conscription is not necessary, and that they do not foresee when it will be necessary. Yet we are asked to vote for this conscription bill.

I have no hesitation in supporting the amendment which has been moved by the hon. member for Gaspé (Mr. Roy) that there should be a six months' hoist, because it is the logical consequence of all the speeches we have heard this afternoon and on previous occasions. Reference was made this afternoon by the leader of the opposition to national unity. It is not the first time that we have been asked in the province of Quebec to make sacrifices for the sake of national unity. For the last hundred years national unity has always been achieved at the expense of the province of Quebec. Let me recall a bit of history. In 1840 when the Union Act was passed the province of Ontario had a debt of \$6,000,000, and Quebec was asked to assume responsibility for that debt in the name of national unity. At the same time the population of the province of Quebec was much larger than the population of Ontario, and the province of Quebec was asked to give equal representation in parliament to the province of Ontario in the name of national unity, and we consented. In 1867, when the British North America Act was passed the principle of equal representation in the parliament was no longer good, because in the

a failure so complete that it should demonstrate the impossibility of that to anyone, even to himself.

In his speech this afternoon he raked up past history. To-night the Prime Minister took some time to point out the changes which have taken place since this war began; how almost everybody had changed their ideas on the war. The leader of the opposition referred to the statement on External Affairs made in 1933 in the Regina manifesto. He pointed out that in that statement we said we would take part no more in imperialistic wars. The Prime Minister pounded his desk in approval.

Mr. DOUGLAS (Weyburn): Is this an imperialistic war?

Mr. MacINNIS: That appears to be the position of my hon. friends. Let us see what was adopted as our foreign policy in 1933. I doubt if the leader of the opposition has ever read it. Pointing his finger at the government side benches he said, "Did you ever read it?" If he has read it, he does not understand it. This section in the programme reads:

A foreign policy designed to obtain international economic cooperation and to promote disarmament and world peace.

That is the kernel of the statement. We then elaborated it by saying:

Canada has a vital interest in world peace. We propose, therefore, to do everything in our power to advance the idea of international cooperation as represented by the League of Nations and the International Labour Organization. We would extend our diplomatic machinery for keeping in touch with the main centres of world interest. But we believe that genuine international cooperation is incompatible with the capitalist regime which is in force in most countries, and that strenuous efforts are needed to rescue the league from its present condition of being mainly a league of capitalist great powers. We stand resolutely against all participation in imperialist wars. Within the British commonwealth, Canada must maintain her autonomy as a completely self-governing nation. We must resist all attempts to build up a new economic British empire in place of the old political one, since such attempts readily lend themselves to the purpose of capitalist exploitation and may easily lead to further world wars. Canada must refuse to be entangled in any more wars fought to make the world safe for capitalism.

Let me tell this house that we have not departed one iota from that statement.

In September, 1939, when war was imminent, when we were called here to attend the session of parliament which was to decide whether Canada should enter into the war or not, the Cooperative Commonwealth Federation called together its national council—the only political party in Canada which gave its members an

Mobilization Act-Mr. MacInnis

opportunity to decide before they came into parliament as to whether we would participate in the war or not-and after two days' discussion the national council came to the conclusion that, although there might be certain imperialist factors connected with the war, the issues at stake were such that we were not unconcerned as to which side should win, and because we were not unconcerned as to which side would win we favoured participation by Canada in the war. Referring to imperialist wars, unfortunately we have, in the past, engaged in imperialist wars. The Minister of Mines and Resources (Mr. Crerar), speaking on this bill at an earlier date, said that if this had been another war like the Boer war he would be opposed to participation; and if this had been an imperialist war like the Boer war the Cooperative Commonwealth Federation would have opposed it, regardless of what the consequences might be.

The leader of the opposition talks about his desire to win this war, and he makes the welkin ring telling us how necessary it is to sacrifice everything in order to win it; yet, during the discussion on the budget resolutions the only thing he seemed to be concerned with was that he and those whom he represents should keep what they have. It was a fine thing to send our young men to give their lives, and it was also the correct thing to make the young men of future generations pay for the war, as long as his "savings of a lifetime" were not touched. Let me tell my hon. friend that unless he understands better than he seems to do now what is at stake in this war he will wake up some fine morning and find that, in the winning of the war, a world revolution has taken place wherein the savings that he and the privileged classes of the world have piled up will have disappeared, but in their place will come security for everyone; because those world changes are the issues at stake in this war. I do not, however, expect the hon. gentleman to understand that.

The leader of the opposition was not satisfied with calling attention to our foreign policy statement, which I have demonstrated is a perfectly good statement. He had to refer to a statement supposed to have been made by the leader of this group to the effect that he would rather see his son dead than have him join the army. I am not sure whether my hon. friend put it in just those words, but that was the import of his statement. He, however, failed to tell the house, though I have no doubt that he knows it, that the only son of the leader of this group is to-day in the armed forces.

them what they voted for. They want total war, total conscription, and this is what they voted for and got. The Prime Minister is reported at page 4014 of *Hansard* as having said:

I intend, therefore, if the time should come when the government decides that it has become necessary to send overseas men who have not volunteered for general service, and I should be in office at the time, to ask my colleagues to join me in seeing that parliament is immediately informed of the government's decision.

I skip a few lines:

I intend, at the same time, to see that, before the administration assumes the additional responsibility of enforcing its decision, hon. members are given an opportunity, not for any second debate on the question of conscription, but of showing their confidence or want of confidence in the administration.

My hon. friends want total war; they want total conscription, and they got another delay. And they voted for it. No wonder they are sore. My particular purpose in rising to-night was to refer to the statement which was made by the leader of the opposition, and which was cheered by the Prime Minister, that this group in voting against the amendment to the National Resources Mobilization Act did so in order to curry favour with members from the province of Quebec. There is not a particle of truth in that statement. But if there should be, why did my hon. friends to the right vote for a bill which they despised? I will tell the house why. They voted for it because they were afraid to be found voting with what they called the "nationalists" from the province of Quebec. That was the reason. We did not vote against the bill for any such unworthy purpose. Our position and the position of my hon. friends opposite from Quebec are as far apart as the poles. The leader of this group, the hon. member for Rosetown-Biggar (Mr. Coldwell), put the case quite clearly and beyond the possibility of a doubt when speaking in this debate on July 7. The hon. member is reported at page 3997 of Hansard as saying:

What should this house do? In our opinion, this house should decide now, at once, without further delay, for total mobilization of industry, of wealth and of man-power. But what are we doing under this bill that we are discussing? We are merely allowing the government once more to postpone its decision on one phase of the mobilization that I have mentioned, and that not the most important.

That is not what my hon. friends from Quebec want. There is no similarity between what my hon. friends from Quebec want and what we want. They do not want this bill at all; they do not want mobilization of manpower, of wealth, of finance, of industry—we want conscription of all of them. How can my hon. friends of the official opposition then [Mr. MacInnis.] say that we voted against the bill in order to curry favour with the nationalists from the province of Quebec?

Mr. GRAYDON: Who said that?

Mr. MacINNIS: Your leader.

Mr. GRAYDON: Then it must be right.

Mr. MacINNIS: If it is, it would be the first right thing he ever said in his life. The leader of this group went on to say:

I want to make it very clear, as I said on June 11 when this measure was under discussion then, that we do not propose to be parties to this kind of political manoeuvring, for such it clearly is. We shall make our protest to-night by casting our vote against this measure.

My hon. friends to my right were parties to that political manœuvring. Indeed, the whole procedure leading up to this bill, the plebiscite and the amendment to the National Resources Mobilization Act is about as clever a bit of trickery as was ever perpetrated on the people of this country. Several times to-night the Prime Minister said that he wanted to make it perfectly clear where the house stands in this matter. Does any hon. member know where we stand at the present time or what our position will be when we come back to this house if the government undertakes to give effect to the powers taken under this bill? No one knows. and the longer the Prime Minister talks about it the less clear everyone is in regard to it.

The leader of the opposition was not satisfied with the position he had put himself in by supporting a bill that he did not want; he went another step this afternoon. The hon. member for Richelieu-Verchères (Mr. Cardin) —I am not quoting his words—said that this was one of the worst bills ever introduced in a democratic parliament. The leader of the opposition said that he was in almost perfect agreement with the hon. member. Yet he voted for that "worst" bill, and his followers voted with him.

The leader of the opposition pretends to feel concern over the political fortunes of this party because we voted against this bill. He should not worry over our affairs; he has enough to do looking after his own party. However, he should not even worry much about the fortunes of his own party because those fortunes are all in the past. Referring to the Cooperative Commonwealth Federation he said it was impossible to make a silk purse out of a sow's ear. I shall take the hon. gentleman's word for that, because no one is in a better position to give an expert opinion on that subject. All his political life he has been figuratively trying to make a silk purse out of a sow's ear. He has ended with

to this house for an expression of confidence at any time, undue time will not be consumed in debate. Hon. members will be given within a certain period of time, a chance to show where they stand and that will be a period of time which the people of this country will deem reasonable and sufficient for the purpose. I hope that is clear so that the country and hon. members will see there are not any delays whatsoever. Once the decision of the government is reached the government is going to proceed immediately and rapidly with the question of confidence and in carrying out to the full the intent and purpose of its decision.

I have spoken at greater length than I had intended to speak. My hon. friend closed his remarks with an appeal for unity at this particular time of war. I am not going to make that appeal in my own words, but, like my hon. friend, I should like to leave a few words with hon. members at the close of this long and very important debate. The words I wish to leave to-night are words which interpret better than any I have ever seen anywhere else what I believe to be the real inner meaning and significance of this great struggle.

I doubt if the people of Canada as yet begin to realize, not only the scope of this war, not only the terrible character of it, not only the rapidity with which it is encroaching upon the very confines and coasts of this continent. I doubt if they realize, or have yet fully realized, what this war really means to mankind.

Of all I have read on the subject, no passage has impressed me more than one I came across written by a young Canadian woman now in her thirties who, for some ten years or more suffered as an invalid. This young lady, Audrey Alexandra Brown, was born in Nanaimo, and is now living, I believe, in Victoria, out on the Pacific coast. I give these words to the hon. members to-night as words to be taken into the hearts of all, excepting none. I give them as words to be kept constantly before us to help us realize the character and the magnitude of the task it is our duty to seek to meet:

There is no place for separatism and dissension among us now, if there ever was. For it is plain that mankind has come to the crossroads. It is easy to cast back to Genghis Khan or the dark ages and declare that nothing is happening now which did not happen then. It is easy, it is comforting, and it is a lie. Certainly, brutality and force are not new among men. It has always been true that, as the Psalms have it, "the dark places of the earth are full of the habitations of cruelty". Men who are little more than savages can be expected to behave as beasts. But never before in history has a nominally civilized, a nominally Christian nation deliberately made the profession "Evil be thou my good". This war is unlike all other wars, for the deformed monstrosities that sheltered in darkness have crawled out of that darkness and openly challenged the world for the possession of its soul! They no longer fight under cover, they flaunt in steel. For Germany to win this war would not mean merely a re-drawing of boundaries or a shift in sovereignty. It would mean the destruction of the free spirit of man.

There can be no stronger plea for national unity.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, we have witnessed a rather unusual spectacle in the house this afternoon and evening. Before the dinner recess the leader of the opposition (Mr. Hanson) took occasion to castigate all and sundry in the wildest terms. In this he was cheered by the Prime Minister (Mr. Mackenzie King). However, the leader of the opposition had a good dinner and returned in much better spirits, and made a perfervid plea for unity.

The Prime Minister drew this contradiction to the attention of the leader of the opposition and then proceeded for an hour and a half to do the very same thing, in turn ending up with an ardent plea for unity. It is a terrible spectacle at this time, coming from the two leaders of the two major parties in this house.

I would not take the time of the house in commenting on this procedure or in speaking in this debate had it not been for the fact that the leader of the opposition said certain things which we just cannot let pass. Speaking earlier to-day, the leader of this group (Mr. Coldwell) made reference to the statement of the leader of the opposition that the Prime Minister had looped the loop three times, and that in that he was supported by the official opposition. I believe he added that later there had been another loop.

In any event this is what the leader of the opposition said on July 7, following the second reading of the bill, and as reported at page 4017 of *Hansard*:

Before the motion is put, Mr. Chairman, if I may, I should like to make this statement. Because of the speech that was made by the right hon, the Prime Minister to-night concluding the debate and at a time when no one else could reply, a speech in which it was indicated that the government has looped the loop three times . . .

That statement was made after the leader of the opposition and his party had voted with the government that had looped the loop. Consequently the opposition also looped the loop. I am not a bit surprised that the leader of the opposition and his followers are feeling sore over the position in which they have become entangled. I am now going to show

Mobilization Act-Mr. Mackenzie King

and the end of this year there could not be a debate on it, even if some hon. members might wish to have one. Every hon. member knows that His Honour the Speaker would immediately rule out of order a second debate on conscription, even if this house would tolerate it. It would be against the rules of the house, so there is no use in anyone seeking to make out that I am trying to have a second debate on the question of conscription, that I am going to take a long time in order to get this matter settled. This matter will be settled to-night, I believe, as far as this House of Commons is concerned. Then this bill will go to the senate and later will be given assent by the governor general. That will settle the question of the power the government will have, and according to my policy already stated the decision will be settled by the administration under the power given to it by this legislation.

But, Mr. Speaker, it is a very different thing when a decision has been reached which places additional responsibilities on the ministry, responsibilities which must be viewed by any wise ministry in the light of all that has gone before; in the light of all that has taken place during this debate in this House of Commons; in the light, as my hon. friend the former minister said this afternoon, of what is going to be the result of the enforcement of that policy not only in the immediate future but for all time to come; I say when all that responsibility is added to the responsibility already on the shoulders of the ministry, I think it very desirable that this House of Commons should say whether it is prepared to give its support to the administration to carry on with that extra responsibility, or whether it is going to withhold its support just at the time it is most needed. That does not mean a matter of taking any time. I will not delay to look up his words. but my hon. friend the leader of the opposition said something to the effect that I was going to ask for a second debate on conscription.

Mr. HANSON (York-Sunbury): No.

Mr. MACKENZIE KING: My hon. friend is quite right; that I was going to put through conscription by closure.

Mr. HANSON (York-Sunbury): No; a vote of confidence by closure.

Mr. MACKENZIE KING: No; my hon. friend said conscription by closure. I will quote his words, so that there may be no mistake about it. Here is what my hon. friend said, as reported at page 4550 of Hansard:

[Mr. Mackenzie King.]

Later in that speech of Tuesday, July 7, the Prime Minister indicated that the debate would have to be curtailed. Well, who will do the curtailing. There is only one way to curtail debate in parliament, and that is by invoking the rules with respect to closure. Consequently, what the Prime Minister said on July 7 was that the action of his government in imposing conscription would be submitted again to debate in the House of Commons, but that closure would be applied in the debate, and the motion or resolution put through under closure.

There could be no clearer words than those. My hon. friend says he did not use them, but—

Mr. HANSON (York-Sunbury): I did not say that.

Mr. MACKENZIE KING: Then what did he say?

Mr. HANSON (York-Sunbury): The record will speak for itself.

Mr. MACKENZIE KING: Why did I look up the reference, if it was not to make perfectly sure?

Mr. HANSON (York-Sunbury): The right hon. gentleman was wrong in his first reference, and I think he is wrong in the second. I will leave it at that.

Mr. MACKENZIE KING: I find I was right in my first reference, because he said:

What the Prime Minister said on July 7 was that the action of his government in imposing conscription would be submitted again to debate in the House of Commons—

I did not say anything of the kind.

-but that closure would be applied in the debate, and the motion or resolution put through under closure.

Mr. HANSON (York-Sunbury): "Resolution put through under closure."

Mr. MACKENZIE KING: It was closure in reference to the question of conscription.

Mr. HANSON (York-Sunbury): No; the resolution of confidence would be put through under closure.

Mr. MACKENZIE KING: Now my hon. friend is taking exception to the resolution of confidence being put through under closure. And yet he says he is so sure of his ground he is prepared to vote want of confidence immediately. I ask my hon. friend if there could be any more absurd attitude for a leader to take than this, to say that he has not confidence in the ministry, but will require weeks of debate if necessary to prove that there is anything in it. That is what it comes to.

I want to make perfectly sure at the present time that, so far as I am concerned, coming Now that it has been trumpeted all around the world to our disparagement, and every nation, friend and foe, is waiting to see what is the true resolve and conviction of the House of Commons, it must go forward to the end.

The most effective statement made by the Prime Minister of Great Britain during the course of that speech was when he reminded the house that they had two alternatives; they could dismiss the present government or support it, but they had no right to impair its efficiency and reduce its prestige abroad by a process of "sniping." That is exactly where we are at the present time, and I am saying to members of this House of Commons tonight that none of them have a right to continue to undermine confidence in the government that is carrying on the war unless they are prepared to put some other government in to take its place; and they have no right to do what they can to seek to destroy the Prime Minister of the country in his own eyes, in the eyes of his fellow-citizens and in the eyes of the world, unless they have someone whom they can put in his place and who is prepared to take the responsibility that is mine at this time.

On a previous occasion, after he had been in Washington before, Mr. Churcill found that the same thing had happened. His back had hardly been turned before a small, vociferous group began to make charges against the Prime Minister for having done this, for not having done that, and the like. He came back and found his strength impaired, his prestige lessened, and what did he say? He addressed the House of Commons on January 27 and asked for a vote of confidence in himself. He said:

From time to time in the life of any government there come occasions which must be clarified....Since my return to this country I have come to the conclusion that I must ask to be sustained by a vote of confidence from the House of Commons. This is a thoroughly normal, constitutional, democratic procedure. A debate on the war has been asked for. I have arranged it in the fullest and freest manner for three whole days. Any member will be free to say anything he thinks fit about or against the administration or against the composition or personalities of the government, to his heart's content, subject only to the reservation which the house is always so careful to observe about military secrets. Could you have any higher expression of democracy than that? Very few other countries have institutions strong enough to sustain such a thing while they are fighting for their lives.

After two days of debate a division was taken, and Mr. Churchill was supported by 464 votes to 1. Well, Mr. Speaker, I do not expect any such support.

Mr. ROSS (Souris): You would hardly make a comparison between yourself and Prime Minister Churchill, would you?

Mr. MACKENZIE KING: What is my gallant and wise friend saying?

Mr. ROSS (Souris): It is on Hansard.

Mr. MACKENZIE KING: I want to make one thing perfectly clear—

Mr. ROSS (Souris): The Prime Minister asked what I said. I asked if he was making a comparison as between himself and Prime Minister Churchill.

An hon. MEMBER: Why not?

Mr. ROSS (Souris): Read the history of the last war, 1914-18.

Mr. MACKENZIE KING: The last thing in this world I wish to do is to make comparisons between myself and anyone else, let alone Mr. Churchill. No one knows better than I do the burden that Mr. Churchill is carrying and the magnificent manner in which he is carrying it. He is a noble example to all of us, and I am seeking to follow his example; not to compare myself with him but to follow his example: to do the best I possibly can in the position which I hold, for the time that I may hold it, but also realizing that I cannot pretend to carry on the duties of leadership of a government in time of war efficiently or effectively unless I enjoy the confidence of the members of the House of Commons. That is all I am asking for.

Now let me make one thing perfectly clear, so that there will be no mistake about it. I notice that some sections of the press have interpreted my remarks to mean that I was coming back to parliament to get approval of the decision of the government. I cannot make it too plain that when this bill passes both houses, as I believe it will pass, and is assented to, the government will have been given by parliament power to conscript men for service overseas. That power will rest in the government. It will be there. The policy of the government is to exercise that power when it believes it necessary to do so, when it is necessary to resort to conscription to make Canada's war effort more effective. When the decision is made by the government -if and when it is made-that settles the matter as far as conscription is concerned. Conscription will have been enacted; the government will have declared that it is necessary for the carrying on of the war. There will be no question of referring that matter to parliament at all. And may I add this, that if that should happen between now

Mobilization Act-Mr. Mackenzie King

view, if it is the view of the cabinet, I wish to be able to come to this House of Commons and say: The cabinet has reached this decision; the next step will be to enforce it. Before that next step is taken I want this House of Commons to declare whether it has confidence in me as the head of the administration that is to carry out this policy of conscription or whether hon. members prefer to have another government in the place of the administration now in office. That is my conception of carrying out my responsibility to parliament.

Some hon. gentlemen opposite keep saying over and over again, as the leader of the opposition said to-night, "I have no confidence in the Prime Minister; a lot of us have no confidence in the Prime Minister; we reserve our right to vote as we think best on the motion of confidence," but can you think of anything more ridiculous than when they are offered that opportunity the tenor of their words is, "Oh, for goodness sake, do not give us that opportunity; we don't want it; we don't want to have to vote on an expression of confidence or otherwise." I say the people of this country will want to know two things: first, whether the head of the government that is carrying on this war has the confidence of the majority in this House of Commons. and second, where the members of this House of Commons stand, each one of them, not by their words but by their vote, on the question of the course that may be thought necessary by the administration in the winning of the war. And I intend, if it lies in my power, to see that this House of Commons gets that opportunity, so that the people will know exactly where each and every one of us stands.

Let me say this in conclusion. If I propose a course in this parliament, immediately some hon, gentlemen opposite find fault with it. If the Prime Minister of Britain, Mr. Churchill, who is all-powerful in the support he has, proposes a course, of course he is applauded for it by the same hon. gentlemen. They say that was the right thing for him to do.

Mr. JACKMAN: National government.

Mr. MACKENZIE KING: Yes, that is where we come pretty much to the crux of the whole situation. My hon. friend belongs to that little group of Tories who feel that nobody else is able to carry on a government unless they are members of it. May I ask my hon. friend this question, because he was elected on the basis of national government. Who was it raised the question of national government in this country at the last general election? It was his leader and the members of his party. So keen were they on national [Mr. Mackenzie King.] government; so strongly did they believe that national government was the cry that was going to sweep Canada, that they actually struck out their old time-honoured name of Conservatives and called themselves national government candidates.

Mr. JACKMAN: I ran as a Conservative candidate, supporting the policy of national government.

Mr. MACKENZIE KING: My hon. friend ran under a leader who ran as national government leader and who said that national government was the policy of his party, and all hon. gentlemen opposite know it. I simply mention the matter because if national government has been anathema ever since, hon. gentlemen opposite are responsible, because they are the ones who put the issue to the people and got the answer from the people themselves.

Now I come back to the example of Mr. Churchill. I ask this house to listen to these words and to ask themselves whether they might not have been spoken by myself tonight after this long debate as giving expression to much that has been said in the course of it. Less than three weeks ago Mr. Churchill returned to Great Britain from the United States. While he had been away a handful of his opponents had been directing different charges against his administration, doing what they could to undermine the confidence of the people in his administration. This is what Mr. Churchill said in his first great speech in the house after his return:

This long debate has now reached its final stage. What a remarkable example it has been of the unbridled freedom of our parliamentary institutions in time of war.

Everything that can be thought of or raked up has been used to weaken confidence in the government; has been used to prove that the ministers are incompetent and to weaken their confidence in themselves; to make the army distrust the backing it is getting from the civil power; to make workmen lose confidence in the weapons they are striving so hard to make; to represent the government as a set of nonentities over whom the Prime Minister towers and then to undermine him in his own heart and, if possible, before the eyes of the nation all this has poured out by cables and radio to all parts of the world, to the distress of all our friends and the delight of all our fores. I am in favour of this freedom which no other country would use or dare to use in times of mortal peril such as those through which we are passing, but the story must not end there, and I make now my appeal to the House of Commons to make sure that it does not end there.

And later.

Do not let the house underrate the gravity of what has been done.

Mr. MACKENZIE KING: That does not answer my question with respect to conscription for service overseas.

An hon. MEMBER: But it answers his.

Mr. MACKENZIE KING: In the matter of putting conscription for service overseas into force, should that become necessary there will be no delay in conscripting or training men. Exactly the same number will be called up by exactly the same method, regardless of geographical sphere of service. If the supply of volunteers fails there will be no question of starting a new system; all that will be required will be to extend the scope of service of men already called up and trained. That is the answer to the question as to the effect of delay in putting this system into force.

I wish to make perfectly clear my reason for saving that I desire to come back to parliament and inform parliament of the decision which may be made and why I would seek an expression of confidence before undertaking to continue as head of a government that is to administer conscription for service overseas. I have been careful in what I have said to speak for myself alone. I can speak only for myself as to the course I shall take if I have a certain responsibility, but I do say this, and I say it most emphatically, that no man, I do not care who he is, could carry on a government in time of war unless he had the confidence of the House of Commons, expressed in a reliable majority, behind him.

There have been in the course of this debate many things which have given me reason to feel that the degree of confidence in my ability to carry on up to this particular point, which I know I have enjoyed very greatly, particularly from men of my own party and, I believe, in large measure from many hon. gentlemen opposite, may not be as great in me as one qualified to administer conscription for overseas service. If that is the case let me say that I do not wish to assume any obligation that hon, members of this house have not full faith in my carrying out to the letter. May I say this to my fellow-members of the House of Commons: I have shirked no responsibility of any kind since this war came on that I believed to be in the national interest. I have not hesitated to ask this House of Commons for any measure that I thought was essential in the national interest.

I do not expect ever in my life—in the remainder of it—to have any obligation to assume which will be comparable with the obligations I have assumed in the past, when it fell to my lot to go into the council chamber and advise my colleagues—yes, at the time of Munich—that if Hitler made a move against Czechoslovakia, at that time I would advise that this country should go to war against him. When I made my position known to my colleagues in the cabinet a year before the present war, I realized the kind of conquest he was bent on. And when war came against Poland I again told my colleagues that I believed this country should enter this war at the side of Britain and fight this oppressor of mankind, this man who is seeking to gain the conquest of the world and to destroy freedom. I had had deep searchings of heart before that time. I was taking a very grave responsibility

when I came into this chamber and asked this

House of Commons to support a policy which

would carry Canada into the war. I had taken

the greatest responsibility that any human being on earth can take, that of bringing his

own country into the war. I did not shirk that

responsibility because I believed it was in the

interest of our country that we should take

that step. And after three years of war I ask my friends in this house to-night whether they think I was wrong in taking that step at that time. I feel exactly the same about this matter of conscription for overseas service. Up to the present time I have not felt it necessary to conscript men for service overseas because our Canadians were doing honour to themselves and to their country by enlisting for training for service anywhere in larger numbers than we could prepare them. But I say to-night that, with the world situation what it is, with the situation between Germany and Russia what it is at this moment, the situation in Egypt what it is at this moment, the situation on the Pacific as we know it to be at this moment, I would be derelict to the responsibility which I bear to the country and to my fellow-members if I did not say to them that I believed it was absolutely in the interest of the country that the government should have power to take any step at any time that it

deems necessary, so long as it takes that step in the light of its responsibility to parliament. Now I know there are some hon. members who do not attach the same significance to those words that I do. But I attach very great significance to them. When I say that what I wish to do I wish to do in the light of my sense of responsibility to parliament I am not talking about the shadow of responsibility; I am talking about the substance of responsibility. If I am persuaded that it is necessary and desirable to resort to conscription of men for overseas service, I am going to support that view. But the minute I support that

Mobilization Act-Mr. Mackenzie King

Mr. MACKENZIE KING: I did not catch what my hon. friend said, but I notice he could not sit still anyway, and had to rise and make an interjection. May I say to my hon. friend that what I will do when the time comes will depend upon what happens at the time and what I think best in the national interest.

While I am dealing with remarks of some hon. gentlemen opposite may I refer to the hon. member for Lake Centre (Mr. Dienfenbaker). The hon. gentleman made a statement which affords a reason why I think it is important that not only this house but the country should know what confidence there is in the present administration. I am glad to observe that the hon. member has just come in. Speaking on July 22, yesterday, as reported at page 4566 of *Hansard*, he said:

The Prime Minister says, "we will wait until conditions get worse and then, after we decide as a government to bring into effect conscription for overseas service, parliament will be called." Surely with conditions as they are to-day all over this world no one can say that they could be much worse.

I was astonished when I looked at *Hansard* this morning and found that those words which my hon, friend attributed to me appeared in quotation marks. I challenge him to point to any place at any time where I used words such as he has in quotation marks in *Hansard* to-day.

The Prime Minister says, "we will wait until conditions get worse and then, after we decide as a government to bring into effect conscription for overseas service, parliament will be called."

There the quotation ends.

An hon. MEMBER: He was dreaming as usual.

Mr. MACKENZIE KING: He was not dreaming; he was doing something else though, and he knows it. I ask my hon. friend to rise now in his seat and tell me if I ever used words such as those.

Mr. DIEFENBAKER: I say no. Those words are placed there in parenthesis, and I say to the Prime Minister that with the conditions we face to-night all over the world I cannot understand the type of address which apparently he is trying to make to the house.

Mr. MACKENZIE KING: The words are not in parenthesis; they are in quotations, and I say that those quotations are not justified. I have made no statement of the kind—never at any time—and my hon. friend knows it as well as anyone else. I should like to know who put those quotation marks there. However, let us pass that over. The serious part of my hon. friend's statement, [Mr. J. A. Ross.] perhaps the most serious, is not putting those words in quotation marks, but in attributing to me any statement that we will wait until conditions get worse and then decide. Is there any justification for an expression such as that? When I have said that we would wait until the time came for putting in conscription, I have not said that we were waiting until conditions got worse. I have said that we were waiting until conscription is necessary, which is a very different thing. And I have made no other statement than that.

My hon. friends opposite a year and a half ago were saying that it was necessary to have conscription for overseas service. At the time I said it was not necessary, and from that time until the present they have been repeating that statement and I have been replying to them. It was not necessary for the reason that up to the present time more men have been offering for overseas service than it was possible for the government to train and send overseas. That is a very different thing. Suppose we had conscription for service overseas in force at this hour. I think I am right when I say that not an additional man would be called out, not one more man would be receiving training at the present time, not one man more would be sent overseas at the present time, for the simple reason that we have more men ready to go overseas to-day than it would have been necessary to raise by conscription to meet the situation at the present time.

Mr. HOMUTH: We have conscription now.

Mr. MACKENZIE KING: I said, for overseas service. If we had conscription for overseas service at this moment, we still have more men offering to go voluntarily than we are sending across the sea now. May I ask my hon. friend who has interrupted me whether this is what he proposes-that we should take men who are called up under the National Resources Mobilization Act to serve in Canada and send them overseas in preference to men who have volunteered to serve anywhere, who are waiting to go overseas, and who wish to go? Unless that is what he means there can be no force in the kind of argument which hon. gentlemen opposite present.

Mr. HOMUTH: May I answer the question?

Mr. MACKENZIE KING: Yes.

Mr. HOMUTH: I contend that our camps are filled to-day because we have conscription in Canada.

Mr. MACKENZIE (Vancouver Centre): That is not a question.

administration, that I should know whether I have a solid following in this House of Commons and in the country.

I am not going to spend time reading many extracts from the press; I get quite enough of them, morning, noon and night, when I pick up certain journals. But I am going to read a paragraph from one editorial which appeared shortly after I made the speech I did in this house on July 7, in which I said that I thought it would be necessary to have an expression of confidence from the House of Commons. ask hon. members in listening to this paragraph from this particular editorial whether they believe that, if this kind of thing is given currency day in and day out in different parts of Canada, it will be possible for any man who has responsibility to carry on in time of war. I quote from the Toronto Globe and Mail of July 10, 1942:

It is bad enough for our Prime Minister to be revealing some of the earmarks of a dictator and trying to suppress the privileges of parliament,—

This is at the moment when I am saying to hon. gentlemen opposite that, before seeking to enforce this decision, I intend to come to parliament and give hon. members an opportunity of saying if they have confidence or have not confidence in myself and the government. At the moment I am saying this, the Toronto *Globe and Mail* comes out and says that the Prime Minister is—

-trying to suppress the privileges of parliament, of which he has been such a vociferous champion, but there would be some toleration for dictatorial methods if they were promoting the country's war effort and enhancing its prestige abroad. But the lamentable feature of Mr. King's tortuous and thimble-rigging courses which have been brought into high relief in the late debate is that they have now done irretrievable damage to the reputation of this young nation in the outer world. The valour of its sons in the last war had set the seal upon Canada's claim to full nationhood and given her a place of honour and influence among the nations. But to-day our Prime Minister, by assiduous and discreditable pursuit of partisan ends—which he has the effrontery to deny—at the expense of our solemn obligations has dragged that good name in the dust and frittered away the high prestige which heroic youth had won with precious blood.

I ask hon. members, if a leading publication in the largest city in Ontario can issue that sort of thing to the people of the province at a time of war, how can anyone expect that a man who has the least self-respect would be willing to ask the country to have him continue in office if he thought the people believed that sort of thing about him?

As a matter of fact, I think I know pretty well the confidence the people of this country have in me, and I am not afraid to go before $44561-292\frac{1}{2}$ the people at any time. That brings me to the answer to the question of the hon. member for Souris (Mr. Ross); and by the way, I should like to quote what he said, because it is very much to the point. What did he say yesterday? It is found in *Hansard* at page 4565:

Mr. Ross (Souris): Just to follow up this question which the Prime Minister has just answered, is it still the intention, if the order in council he has mentioned is passed, that before it can become effective he shall consult parliament for a vote of confidence, as he stated in one of his speeches on the second reading?

Mr. Mackenzie King: I shall have something to say about that a little later on.

Mr. Ross (Souris): I think it has a distinct bearing on these sections, because I know, as one of the members of this house, that many people throughout the country, especially in the armed forces, have not very much confidence in the government as constituted with the present leader; they pin their faith to the ministers of the armed forces.

My hon. friend nods his head. Well, if there is not much faith in the present leader of the government, the sooner he knows it the better. I can assure my hon. friend and every member of this house that any time they wish to have a vote of want of confidence I am willing to give them the opportunity, and the moment such a vote carries no one will leave office more quickly than your humble servant. What did my hon. friend say this afternoon? He began to tremble in his seat after he had heard that possibly there was going to be a vote of confidence. He had been uneasy about it ever since he asked me the question this afternoon, what was I going to do if, when the vote of confidence took place, it should prove to be a vote of non-confidence-would I go to the governor general and ask him to have one of my colleagues lead the government, or would I go to his excellency and ask for a dissolution of parliament. My hon. friend was a little bit afraid of a dissolution, and yet he and his leader yesterday spoke about myself as the one who talks about trusting the people. But the moment we come anywhere near the people, my hon. friends, and those who think like them, begin to get very anxious indeed.

An hon. MEMBER: Don't be a child.

Mr. ROSS (Souris): Mr. Speaker, the Prime Minister does not-

Some hon. MEMBERS: Sit down.

Mr. ROSS (Souris): Just a minute. The Prime Minister has referred to the question I asked him this afternoon, and he said I was trembling from fear. I wish to deny that statement, and I invite him to Souris if he resigns. That was the speech of the Minister of Agriculture.

-we cannot ever expect in my opinion to have military service overseas-

That would be compulsory service, to use his own words.

-regardless of what the people may demand.

If that is the view members of this house have, do they not believe it is about time that an opportunity should be given to them to say whether they have or have not confidence in the administration that is to have this extra responsibility?

My former colleague, speaking in the first debate, gave one strong reason why parliament should know immediately the decision was made and before further steps were taken. Speaking on June 11, the hon. member for Richelieu-Verchères said, as reported at page 3275 of *Hansard*:

It is not to be applied by act of parliament, as it was in 1917, with the regulations attached to the bill and presented to parliament. No; it is to be done by order in council, and it may very well be that the order in council applying conscription, forcing the boys of Canada to fight anywhere in the world, will be kept secret.

That is a rather serious statement or charge to make. It will be rumoured about the country that there is going to be so much secrecy in this matter that the order in council applying conscription, authorizing the boys to fight anywhere in the world, will be kept secret. There is one very effective way of answering a charge of that kind, one that cannot be denied, and that is that the minute a decision is reached by the government to resort to conscription for service overseas this parliament will be advised of it, and that course is the one which will be taken.

I might quote from many speeches which have been made by hon. members on this side. I shall mention only one, but I give it as a reason why amongst others I think it is necessary that I should know if and when the time comes whether men of my own party are going to support me if it falls to my duty and obligation to have to enforce conscription. I read here from the words of one of my personal friends, the hon. member for Rimouski (Mr. d'Anjou), who, speaking this way, and very feelingly-and I take no exception to what he said, but I feel sorry that he found it necessary to say it-remarked, as reported in Hansard, June 29, at page 3759:

When speaking on the plebiscite, I stated that I had faith in my leader and in his cabinet. I must say that I have now lost that faith. I truly believed that I could trust the Prime Minister of Canada.

[Mr. Mackenzie King.]

Then he says later on, speaking of my former colleague:

He too had faith in the government. Having been deceived, he had enough courage to resign.

As I said, I am not surprised that the faith of some of my followers may have suffered-I will not say, a shock, but at least that it has been a little difficult for them to understand some things. The really great things of life, the important things in life, are often not to be understood by any individual act; it is the life as a whole that counts, it is the future as well as the present and the past that have to be taken into account; and in taking the action which I have taken in regard to this matter I have had in consideration above all else the national interest and the problems which men from all parts of this country have to face in their several constituencies. If I have not sought to proceed as hon. gentlemen opposite think I should have proceeded, and a year and a half ago taken steps to put conscription into force immediately, whether it was necessary or not, it is because I have known only too well that such course would have been the most disastrous that the leader of any government could take at any time in this particular country. I say to the hon. member for Rimouski that I believe he will live to see his faith restored, by the events of the coming years. In the light of the possibilities of the future, he will come to see very clearly why I have taken the course I have in the past and in the present.

Mr. ROSS (Souris): Even if we lose the war.

Mr. MACKENZIE KING: What I wish to make perfectly clear is this. The responsibility of being a member of a government at a time of war, to say nothing of having the responsibility of being head of a government, is the greatest responsibility which can be put upon the shoulders of any man, and no leader of a government and no government can carry on the duties of government in time of war unless absolutely sure of its following in the House of Commons. This is the position that I feel the present administration has come to, or more particularly that I myself have come to, at the present time, after three years in which hon. gentlemen opposite, some of their press and some of their friends have been doing all they possibly can to undermine the administration, and to cause not only the people of Canada but the people of other countries to lose faith in myself as leader of an administration in time of war. Now that we have come to a crisis I feel it is absolutely necessary, if I am to carry on longer as the head of the

a method. Then on June 10 my hon. friend said, as reported at page 3251 of *Hansard*:

"Trust the people" is an old cry of the Prime Minister. He has never been willing to do that in connection with the conscription of man-power in this country. He has never been willing to trust the people. Yet there is no man in this country, no man in the whole history of Canada, who has played upon the principle of trusting the people more than has the present Prime Minister. In respect to one vital matter, which affects the liberty of the subject, he legislates in the secrecy of the council chamber; he is afraid to trust the people. If we pursue our present course we shall have only the theory of selective service on the statute books; we shall not have its application.

I wonder how my hon. friend would have rung the changes in this house on that declaration if I had not declared that I was going to see that this parliament was informed of any decision this government had made as soon as it was made and before action was taken to carry out the enforcement of the order itself.

Not only is it the leader of the opposition, but the leader of the Cooperative Commonwealth Federation (Mr. Coldwell) has been equally strong in his language. Indeed, both of them repeated to-day their objection to not having parliament fully informed on these matters, even to the extent of having parliament legislate again upon them. On May 28 the leader of the Cooperative Commonwealth Federation party used these words, as appear at page 2862 of Hansard:

The decision as to whether we are going to compel men to surrender their lives or their property in the interests of this dominion and of our war effort with the united nations is not the responsibility of the military authorities; it is the responsibility of this parliament. And I agree that under no circumstances should the government take unto itself powers that ought to lie in this chamber.

When we are dealing with the futures of the young men of this nation, this is the place where the decision should be taken, to the very last degree.

Suppose a decision were taken and parliament not informed until action had been taken to send men overseas? Would there not be a repetition of the remarks I have just read? Would not this parliament and this country be told over and over again that I, of all men, had been one who sought to do everything in the secrecy of the cabinet council and to ignore parliament altogether? Speaking on June 11, as reported at page 3259 of *Hansard*, the hon. member said:

We have no right to give a blank cheque to the government to do nothing, or to make regulations for the conscription of man-power, which may be no better understood or more equitably administered than the regulations already in effect and about the meaning of 44561-292 which there is no general agreement by the Department of National War Services which is charged with their administration. Under the circumstances my colleagues and I do not propose to give the government a blank cheque to do by order in council what this parliament alone should do.

I draw attention to one word used there because it is significant. It is not merely action taken by order in council; it is the administration with respect to which my hon. friend wants to have some word to say.

Mr. COLDWELL: The administrative regulations.

Mr. MACKENZIE KING: As to how they would be administered, yes. Then I come to the hon. member for Lake Centre (Mr. Diefenbaker), who is reported at page 3333 of *Hansard* as follows:

We have a right to know how the act will be administered;—

If you are going to know how it is going to be administered, you will want to know what ministry is going to administer it. That is the first step. That is what I am proposing that this parliament shall know. The hon, member continued:

--we have a right to know its mechanics and its provisions. We have a right to see that under these regulations favours will be denied, that favouritism will not be permitted, so that there will be honest administration.

Again a question of administration. That seems to be the important question in connection with this particular measure. Here is a statement which I quoted the other evening and to which exception was taken by the hon. member for Lake Centre on the ground of its not conveying his true meaning. I am going to give it the meaning he says he intended to convey. He was speaking on June 15, and I quote from page 3329 of Hansard:

Up to the present time the only two ministers who have spoken in this debate on behalf of the government have been the Prime Minister (Mr. Mackenzie King) and the Minister of Agriculture (Mr. Gardiner), both of whom have consistently opposed military service overseas, and from whom, having regard to the speech to which we have listened to-day, we cannot ever expect in my opinion to have military service overseas regardless of what the people may demand.

When I read that the other evening my hon. friend said that he had not meant military service overseas, he had meant compulsory military service overseas. What is the charge being made against me at this time by one of the leading followers of my hon. friend opposite? It is:

. . . having regard to the speech to which we have listened to-day—

Mobilization Act—Mr. Mackenzie King

An hon. MEMBER: Come to the war.

Mr. MACKENZIE KING: —to the reason my hon. friend gave for seeking to make his long speech of yesterday. He said that I was seeking to introduce some new formula— I think that is what he called it—and that he was taking exception to my so doing. Just what was it to which my hon. friend was taking exception? So that the record may be clear on the point I think I had better read to the house what I said on July 7 respecting the new matter, as I understand it, which my hon. friend said I had introduced at that time. I quote now from *Hansard* of July 7, page 4014:

If the need should arise for sending overseas as reinforcements men called up under the National Resources Mobilization Act, the procedure should be as open and aboveboard as it can possibly be made. Unless it is understood that parliament will be informed in advance, all kinds of suspicion will be aroused and all sorts of rumours will be in circulation from day to day.

The right of the public to be informed of the decision of the government before it is enforced was set forth clearly in the address I made in opening the plebiscite campaign on April 7. Speaking on this very matter in a nation-wide broadcast, I said:

"The people of Canada are not going to hesitate to take any steps which they believe to be necessary for the preservation of their freedom. They are certainly not going to hesitate to adopt any measure needed to preserve their national existence, but they will wish to know, and they have a right to know, that before any step is taken, that step is necessary. This is particularly true in the case of a measure which has been the subject of bitter controversy and the source of disunity in the past."

And this is the new matter:

I intend, therefore, if the time should come when the government decides that it has become necessary to send overseas men who have not volunteered for general service, and I should be in office at the time, to ask my colleagues to join me in seeing that parliament is immediately informed of the government's decision. If parliament is not in session, I would do whatever lies within my power, to see that parliament is informed as soon as possible after the decision has been reached.

I intend at the same time to see that, before the administration assumes the additional responsibility of enforcing its decision, hon. members are given an opportunity, not for any second debate on the question of conscription, but of showing their confidence or want of confidence in the administration.

May I ask wherein does any part of this new material not relate to the question of procedure on the very matter contained in the bill which the house is discussing at the present time? Suppose I had said nothing about my intention of informing parliament of the government's decision before seeking its enforcement? What would hon. gentlemen

[Mr. Mackenzie King.]

opposite have said? I have to consider what I am going to be face to face with if I fail to take a particular course as well as what I am going to be faced with if I take a particular course. Hon. gentlemen opposite know there is no single subject to which they have directed their opposition toward myself during the last two or three years to a greater degree than in alleging that I was not carrying out what I professed to believe in, namely, the responsibility of the executive to parliament; that I was continually ignoring parliament: that I was doing everything by order in council. There is not an order in council that the government has passed, I believe, to which hon. gentlemen, either in particular or in general, have not taken some exception. They talk about everything being done in the present administration simply by order in council. Yet when it comes to the most important order in council that will be passed during the life of this parliament, these hon. gentlemen say that I am taking a mistaken course in coming to parliament and informing parliament about that order in council before action is taken to enforce its provisions.

I just want to remind hon. members of what some of them have said on this matter during this debate. I am considering now just exactly where I would be if I had not made the statement that I was going to inform parliament immediately the government made its decision; that I was going to seek to get from this house an expression of confidence in this administration if it was to carry out the enforcing of that particular order. I have in my hand a copy of the speech made by hon. friend, the leader of the opposition, on May 28 of this year. I am going to read only a sentence or two which will help to illustrate the quotation I would have been faced with had I taken a different course. My hon. friend said, as reported at page 2861 of Hansard:

Let parliament take the responsibility; let parliament pass upon such regulations. The whole theory of doing these things by order in council is wrong.

Mr. HANSON (York-Sunbury): That is as to the regulations.

Mr. MACKENZIE KING: The emphasis has been on doing things by order in council. The order in council which will be passed will be an order putting into force regulations that are already known. The essence is that they will be put into force by order in council. My hon. friend also said that he did not think we could get the same spirit of equality if this sort of thing were done merely by order in council, and he objected to such I should like to know what government would survive that did not anticipate in advance all possibilities, and seek to provide against them in every way at its command. I know what the cry would have been if we had failed to take this step. There would not have been an incident of any kind, of an adverse nature, which would not have been put down to the fact that the government had not taken the power to conscript men for service overseas even if that should be considered necessary.

What government could stand against a charge of that kind?—that it had not been willing even to take power that might be necessary to save the country in a world situation such as we are facing at the present time. I say that no government would have been true to the country that would have tried to avoid its responsibility in that way. But we are taking the responsibility, meeting every situation as it comes, and seeking to discharge our responsibilities to the best of our ability.

Oh, yes, let me say a word about leadership. There has been quite a little said yesterday and to-day about leadership. Something was said about leadership in the province of Quebec. Of course my hon, friend the leader of the opposition could not help getting in the same old jibe that his party has kept up from the beginning of the war—that this country is not getting the leadership that it needs at the present time.

May I just remind the house that the ink was hardly dry on the order in council which set out the declaration of war between Canada and Germany when we were told-and I think it was by the hon. member for Parkdale (Mr. Bruce)-that while the present leader of the government had been a very good leader in times of peace, was in fact a splendid leader in times of peace-though I did not hear that said very often by hon. gentlemen opposite in times of peace-he was not the man to lead the country in a time of war. From that day to this, every few weeks and months one sees evidence of a new drive, that we had better have a change in leadership, and so on and so on. Everything that has been possible for the opposition, the opposition press or the opposition public to do to belittle the leader of the government in this period of war, they have done, most of them without any reserve whatsoever.

They talk about publicity. For example, they complain about Canada's publicity in the United States. They say that our publicity in that country is poor, and that the people over there do not appreciate our war effort. Well, where does the United States get most of its Canadian publicity from to-day? It gets it from the press which reports the utter-

ances of my hon. friend, utterances like those of yesterday. How can we expect to have a proper impression of Canada's war effort out of what these gentlemen have been seeking to have it appear, when they have, in large part, a monopoly of the press, and use press agencies to help to send these speeches abroad?

My hon. friend talks about leadership. May I say to him that there are some things which speak for themselves, despite anything anyone can say, or any construction one may seek to place upon them. For twenty-three years I have held the position of leader of my party. In that period of time I have had the pleasure—it was not altogether a pleasure, but a pleasure, in part—of seeing seven different leaders from the Conservative party sit opposite me, and for the most part they were in opposition.

This leader, who is not much good, at least has had the satisfaction of having seen no less than seven Tory leaders come and go, and seek to put him out of the leadership of his party! May I say to my hon. friend that, very fine in some respects as his own leadership has been, I do not think it has been altogether a bed of roses for him. I do not think it has been a magnificent triumph in the eyes of his own following, if what I read sometimes in the press is correct.

But speaking of leadership, my hon. friend, after referring to some proposed course of mine, said, "What a spectacle!" Well, I have witnessed many spectacles in my experience in political life, but never before have I witnessed the spectacle of a political party which had to have two leaders, one in the house and one out of the house, neither friendly with each other, and neither carrying the support of his own party. That is the spectacle we have had for many months past in the case of the party which my hon. friend leads in this house.

An hon. MEMBER: When Rome burns!

Mr. MACKENZIE KING: This is the hon. gentleman who preaches to the house about leadership! This is the gentleman who says that the country has not the kind of leadership it needs! Well, thank the Lord it has been spared this two-headed brand of leadership—and that is what exists, so far as the party opposite is concerned.

Mr. GRAYDON: "If Hitler were only a Tory, what a licking we could give him!"

Mr. MACKENZIE KING: Well, I will not repeat what is being said by some of my friends around me, there may be attributes in Hitler that are not far removed from those of some of the party opposite.

May I come now-

Mobilization Act-Mr. Mackenzie King

friend and former colleague well knows, which account for the fact that this government had included in the speech from the throne the statement that it was desirable for the government to have the power for which we are now asking in this present legislation. Let me read the clause as it appears in the speech from the throne:

The government is of the opinion that, at this time of gravest crisis in the world's history, the administration, subject only to its responsibility to parliament, should in this connection and irrespective of any previous commitments—

That was with respect to methods of raising men for military service overseas.

--possess complete freedom to act in accordance with its judgment of the needs of the situation as they may arise.

My ministers accordingly will seek, from the people, by means of a plebiscite, release from any obligation arising out of any past commitments restricting the methods of raising men for military service.

Those were the circumstances. It was not the agitation on the part of hon. gentlemen opposite, but the fact that it was recognized by the government, as indeed it was its duty to recognize and to act accordingly, that instead of being a European war this was a world-embracing war, and that unless the enemy could be defeated in other parts of the world the last phase of the war in all probability would be fought out on Canadian soil.

I say to my hon. friend and former colleague that if he is at all doubtful as to that being the view which he himself held, I would recall to him what he said in his broadcasts to the people of his own province during this very session. Here may I pause to say that I do not think hon. gentlemen opposite have appreciated or sought to appreciate in any way the service that was rendered by my former colleague at that time. They have been ready to find fault with him in one particular after another, but they have been very quick to forget the noble service that he and his fellow ministers from the province of Quebec rendered at the beginning of this war, when they made clear to the people of their province why Canada should enter this war unitedly. They have been very quick to forget that when gentlemen belonging to their own party sought to divide the province of Quebec and to have the government of the province take a different stand, my former colleague and his fellow ministers from Quebec were the ones who spoke to their people and gave them the reasons why they should stand solidly behind this government in its policy of prosecuting the war to the utmost possible extent.

[Mr. Mackenzie King.]

Speaking on the plebiscite, here are the words which my hon. friend used in addressing the people of the province of Quebec:

It is your war; the war of every one of you. They are deceiving you in saying this is England's war. It is the war of our civilization against dictatorship. It is the war of those who are dear to you and of your way of life against a system of terror and slavery.

Those I am sure were the motives which actuated my hon. friend when he agreed, with other members of the government, to our seeking power to take whatever course might become necessary in order to meet a future situation. And he added:

A member of the Quebec legislature said a few days ago that he hoped that the present war would make Canada an independent nation. But if Canada were to-day an independent nation, we would surely be engaged in the war.

Speaking on April 9, in another broadcast, my hon. friend said:

To my fellow citizens of Quebec, I wish to say simply, without weakness and without shame, that it is better not to run the risk of isolating ourselves. We wish others to show confidence in us; let us then show confidence in them. Let us not speak only of rights; let us think sometimes also of the obligations which guarantee those rights . . . and No will lead you nowhere and assure you of nothing. With the rest of the country let us provide for our defence everywhere in order to keep away from us both the black peril of infidel Germany and the yellow peril of deceptive Japan.

That was the world vision which my hon. friend had and shared with all of us, and which I believe he still has. I mention it only to bring home to all hon. members of this house the fact that the government, in pursuing the course that it has taken and in seeking the power that it is seeking by this particular bill, has been motivated solely by what was most in the national interest and has had its course, as must be the case in all matters that affect the lives of men, influenced by the course of events in the world about it. We are not in the same position to-day that we were in three years ago. What country in the world is in the same position to-day that it was in three years ago? Who will venture to say what position this or any other country is going to be in a year from to-night? Knowing the rapidity with which the enemy has made headway in all quarters of the globe; seeing what he has done in Europe; seeing the strength of his forces in Russia at this very hour; seeing the battle that is taking place in Egypt; witnessing the conquests of Japan as we have witnessed them in the past few months; having had U-boats in our own rivers and having had our own shores attacked, who will say where we are going to be in relation to the enemy a year from to-night?

the electorate that they would do their utmost to prevent conscription for service overseas ever becoming an issue in this country at this time of war. It was not I alone; it was all parties, including that of my hon. friend. He was returned to this House of Commons in an election in which on this question of conscription for overseas service his own leader took exactly the same position as I did.

When I saw that it was necessary and desirable in view of changed conditions in the world for the government to have the power it now seeks, I recognized that a certain pledge had been given, I then said that before any action could or would be taken it would be necessary for me to go to the people of this country and ask them to release me and all others from commitments made, so that my hands and the hands of all might be free for any action it might subsequently be desirable or necessary to take. But my hon. friend who talks about betrayal said to me here, and to this house, that the thing I ought to do was to break, to ignore that pledge and go ahead and by force and might of majority put through conscription regardless of any pledge given. When he talks about betrayal, what is that but betrayal? Wholesale betrayal of the entire nation is what my hon. friend was advocating. Should his conduct in office be the same as his advocacy in opposition, if he had been in the position I am in to-day, he would have carried out that betrayal.

May I say a word about the change in world conditions. Here may I speak more particularly of what my friend and former colleague the hon, member for Richelieu-Verchères said this afternoon as to the government's action being the result of agitation. I have in my hand the speech from the throne which was delivered at the beginning of the present session. My hon. friend was a member of the government at the time. With much of what he said this afternoon I am in entire agreement and most hearty accord; particularly is this so of what he said about the necessity of a majority being careful how it exercises its powers and of not ignoring the rights of a minority. But may I say to my hon. friend that I cannot agree with him when he says it was agitation which caused the government to make its policy, las announced in the speech from the throne at the beginning of this session, one of seeking the power which we have sought in this legislation. The reason was-I am sure that on reflection my hon. friend will recall-the changed condition of this world war. At the beginning of the present war nearly all persons in Canada believed it was going to be a

second European war. Hon. members need not refer to speeches I have made in the past about whether troops would cross to Europe or not; they need only look in the British Hansard to see what members of the British parliament said about there not being another war in which Britain would send expeditionary forces to the continent. The leader of the opposition need only look at what his predecessor, Mr. Bennett, said in this House of Commons about no more expeditions being sent from this side to Europe. After the last war there was an intense feeling throughout the country that if the nations of Europe were going to continue to quarrel among themselves, they would have to straighten out their own quarrels. When the present war broke out there were many people who did not begin to have any appreciation of its probable scope and extent. It required not merely education but also time, vision and experience to bring home to the public of this and of other countries the true nature of this conflict.

It was under those circumstances that this government led this country into war, or rather took the responsibility of recommending to his majesty that he declare that a state of war existed between Canada and Germany. At that time the belief was that for the most part the conflict would be wholly and solely within Europe. But what occurred between then and the time the speech from the throne was prepared this year? Between that time and the preparation of the speech from the throne the whole scene had completely changed. Practically all of Europe had been overrun by the conqueror. Poland and Czechoslovakia had been invaded and crushed. Denmark and Norway were under the heel of the aggressor. Belgium was conquered. The Netherlands were conquered. France had collapsed. Jugoslavia had been overrun. Greece had been overrun. Armies were in conflict along the border of Russia. The whole situation in Europe had changed completely. War was being carried on in Africa. But there was another circumstance which was most important. In addition to the war in Europe and in Africa, war had broken out on the far side of the Pacific. Japan had entered the war; she and Germany had both declared war on the United States, and before this house met this year Japan had made her strength felt in a powerful way in the far east. If I am not mistaken, by that time the Netherlands East Indies had been overrun; Singapore had fallen, and Australia was in danger of being invaded. These were the circumstances in which this house met at the beginning of this session. These were the circumstances, as my hon.

Mobilization Act-Mr. Mackenzie King

out and tell the people what the situation is, but if you make conscription a political issue you will retard its adoption.

A political issue is what the hon. gentleman opposite and his friends have made this question from the very beginning.

Some hon. MEMBERS: No.

Mr. HOMUTH: You have had twenty-five years of training.

Mr. MACKENZIE KING: I think I can prove pretty quickly the truth of what I have just said. This afternoon when my colleague the former Minister of Transport (Mr. Cardin) was speaking on this question of conscription and how it had come to the fore he said that it had been largely the result of agitation, agitation on the part of hon. gentlemen opposite and their press in different parts of the country and others who represent them or for whom they speak. The result of agitation! My hon. friend described my course yesterday as a tortuous course, that first one step had been taken, then another and another in order to bring conscription more and more to the fore. It was this course he was describing as tortuous yesterday. But today when my hon. friend and former colleague comes out and says that the steps leading to the present bill were the result of agitation, and in so doing hands a bit of toffee to the opposition party and their friends, hands what I think the children call "an all-day sucker," my hon. friend grabs this thing and takes the whole credit to himself, implies that he has been the one who from the start has led this agitation and helped to make a success of the issue of conscription.

Mr. HANSON (York-Sunbury): I said he did me too much credit.

Mr. MACKENZIE KING: Yes, but my hon. friend took it all to himself. The moment what had been, when he was describing my course, a tortuous course, when my hon. friend was told it had led to a certain result it became a series of progressive steps. Progressive steps the stages are described when he has had to do with a course followed; a tortuous course when I have had anything to do with it.

What were some of the adjectives, phrases and epithets he used in describing this so-called tortuous course of mine? First he said I had sought all along only to preserve my political position, then that I had sought only the consolidation of my political position. That is all the credit he gives me as leader of the government in dealing with the question of the progress of the war and the measures necessary for it, that my whole aim [Mr. Mackenzie King.]

and purpose have been to consolidate my position politically, to consolidate the position of the party politically.

Then he went on to speak of my course as one marked by procrastination, a course marked by appeasement. Next he referred to my method of speaking as casuistry, and finally, running out of epithets in that direction, he began to talk about twisting and turning and opportunism and indecision and timorousness, a comedy of errors, a lack of courage, and political expediency. These epithets ran all through my hon. friend's speech as his means of seeking-what? Of seeking to undermine confidence in the government and its leader at this time of war and great peril, for no purpose other than the political benefit he thinks he himself is going to be able to derive therefrom.

There was something that I must confess I was surprised at my hon. friend saying. I can understand some of the epithets he used. I was surprised when my hon. friend not only sought by his different utterances to create the impression that there was lack of unity in the cabinet; that there was lack of unity in the party; that there was dissension in the ranks of my followers, and after having tried to sow that sort of seed he turned to hon. members on this side of the house and said to them that some of them felt that I had betrayed them. But he added-and let me use his own words so that there will be no mistake-"And they have every right to think that he has betrayed them." Well, I say to my hon. friend that I think he will live to see the day when he will greatly regret having accused me of seeking to betray anyone and, most of all, members of my following in this house.

Mr. HANSON (York-Sunbury): That is what the hon. member for Richelieu-Verchères said, that he had been betrayed.

Mr. MACKENZIE KING: He did not say I had betrayed him. I noted his remarks very carefully. He said there was a time when certain people might think they were betrayed, a very different thing from my hon. friend accusing me of betraying anyone.

What did my hon. friend advise me to do? I had made certain pledges. His party, the party of which he is the leader, had made certain pledges—the same pledges. All hon. members of this house know well that at the beginning of the war the parties generally saw the seriousness of the kind of political discussion that would arise once the question of conscription for service overseas came to the fore, and all parties were united in saying to

request but for the plea for unity we have had from him to-night and the fact that before preferring his request he had his speech all prepared and knew what was in it. From beginning to close, it was the strongest effort he could make to help to destroy me in the public life of the country. The whole purpose of the speech, from beginning to close, was an effort to destroy confidence in this administration. Yet he says we must win the war. How are we to win the war, I ask my hon. friend, if there is to be no confidence in the ministry carrying on the war? It would be all very well if his words ended with their utterance and were not reported. But what happens? What the leader of the opposition said is sent broadcast not only throughout this country but throughout the world. It is taken up by the gentlemen of the press gallery and sent to the different countries of the world, to the United States, to Great Britain, even to our enemies. What impression do they get from the speech delivered yesterday? What is the impression anyone would get who listened to that speech or who may have read it to-day? It would be that the Prime Minister of the country was not deserving of the confidence of parliament; that he did not enjoy the confidence of the people; that Canada's war effort was being rendered infinitely less effective than it should be on that account. Yet my hon. friend takes exception to my wishing to have some expression of confidence on the part of the house before I continue to add to the responsibilities I have carried during the last three years.

My hon. friend speaks about our having been at war now for three years. I wonder if he realizes what load has been on my shoulders for these three years of war. A little later on he may reflect with regret upon some of the words he used yesterday afternoon concerning the manner in which I have sought to discharge the duty I have to our country.

What was my hon. friend's pretext for the speech he made? He said I had introduced some new matter in the speech I made on the second reading of the bill, and therefore it was necessary and desirable for him to intervene in the committee stage to make the kind of speech that should have been made on the second or third reading of the bill. Well, my hon. friend knows as well as I do, to begin with, that the new matter, as he calls it, which I introduced was not new in the sense of being something which was not wholly relevant to the subject under discussion on the second reading. He knows also that all he had to do was to ask His Honour the Speaker whether in any way I had infringed the rules by introducing new matter 44561-2913

into my speech. In that event he could have taken exception to it and so exposed me. But his speech was not occasioned because of any new matter. That was a mere pretext. Indeed, the whole of his speech had nothing to do with new matter. It was all old matter, the repetition of things he has been saying over and over again by way of attack upon myself and upon the government ever since we have been carrying on the duties of a government in this period of war.

Let me remind the house of some of the things my hon. friend said when he spoke. I made a note at the time of some of the references he made to me, and I propose to quote from them to the house on this occasion. But speaking of old matter, if I wished to refer to old matter I think I would not have much trouble in embarrassing my hon. friend. He was eloquent this evening about his convictions on the matter of conscription-how he has always believed in conscription; why this parliament should believe in conscription; that it is necessary for the winning of the war, and so on. Here is a little bit of old matter, the record of a speech made by the hon. gentleman, as reported in the Montreal Daily Star of October 30, 1941, just three months before the present session started. What did my hon. friend say then as to conscription being all-important and, above all else, being the thing for which all members of this parliament should stand? I quote:

"I have been urged to declare for conscription of man-power," Mr. Hanson said, "what would happen if I did? Immediately the Conservative party in parliament nailed conscription to its masthead, we would consolidate all those forces that have been opposed to us since 1917 and they would be marshalled against us."

This is the hon. gentleman who now says that conscription is the thing that everyone should agree upon, the hon. gentleman who says that he has never made a political issue of it; but he then said that the Conservative party, if they were to nail conscription to the masthead, would immediately have all the other forces marshalled against them.

Mr. HANSON (York-Sunbury): Would the Prime Minister read that part in which I said that I tried to avoid its becoming a political issue?

Mr. MACKENZIE KING: I will read the whole of it. My hon. friend said:

Conscription is bound to come to the front more and more insistently, but it must come from the people themselves. To make it a political move would defeat the very purpose of those who have it in view, . . . Our sense of citizenship must be such that we will go

4614

Mobilization Act-Mr. Hanson (York-Sunbury)

came to the realization that there was a great possibility that this war might be lost. Then came the period when Britain herself was in danger, when all that stood between us and a horde of Huns who might pour across the Atlantic ocean was the British navy; when in fact and in deed our front line of defence was overseas, and when I thought, and all people who think as I do were driven to the conclusion, that the war must be kept away from these shores if it was humanly possible. Then came a recession of the danger of invasion of Great Britain and after other developments in June, 1941, when the main danger to Britain seemed to have receded, came the invasion of Russia. When we were in Great Britain in September of last year, talking to great men of that nation, I felt day after day a sinking of the heart when I was made to realize that possibly Russia could not last very long, and I recall with what gratitude and praise we looked upon the defence of the gallant Russian nation in repelling the invasion of the Hun. With 1942 came the renewed invasion of Russia, and to-day we hear over the radio and read in the newspapers stories of the splendid struggle which our allies over there are making. But it has been impressed upon me, as, I am sure, it has upon the minds of every one of us, that there is still great danger that this war may be lost.

Has that no lesson for us, for all of us? Well, to me it has this lesson. This is my final word in this debate, and I may not have another opportunity during this session to impress these views upon my fellow members and upon the people of Canada. To-day the danger of losing this war is as great as it has been at any time in the last thirty-three months. If Russia should collapse, millions of nazis may be turned against the western world, and the British empire and the united nations in general may thereby be put in dire peril.

I appeal to my fellow citizens in this country of Canada, to my fellow members on all sides of this house, to Canadian men and women of whatever racial origin they may be, to unite to repel the common foe, because a nation divided against itself cannot stand. We should not allow ideas which have grown up upon erroneous premises over a period of years to blind us to the significance of presentday events and the potentialities of the immediate future.

Therefore, Mr. Speaker, my last word to the membership of this house to-night is this. No matter what our political differences may be; no matter what our opinions may have been on the war effort of this government in days gone by, when this nation is in as dire [Mr. R. B. Hanson.] peril as I believe it is to-day, and when the united nations are in as dire peril as I conceive them to be, let us forget past differences, party politics and partisanship. Let us unite as never before so that we can say to our children and our children's children: when Canada was in peril, the Canadian people united₄

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the leader of the opposition (Mr. Hanson) has just made an eloquent plea for unity. He has said to the hon. members of this house: Forget all past differences, no matter what the record of the government may have been in its war effort; no matter what political differences there may have been between us; the danger in the world to-day is so great that men of all parties and all classes should unite, forget the past, andif I understood him aright-devote their entire energies simply to the winning of the war. That was fine eloquence; it was a noble appeal. But may I say to my hon. friend that if he had begun his remarks of yesterday with those words and had followed them up in accord with the significance of words of the kind, his utterances would carry much greater weight than they do at the moment.

May I remind the house of yesterday's proceedings. My hon. friend came into this chamber with a carefully prepared address. It was typewritten. He had evidently given considerable thought and preparation to it. He knew that the proceedings in committee would not permit of his making a prolonged address without the consent of all members of the house; and having in mind his desire to get on the record this carefully prepared statement, he made an appeal to the house and asked that he be given unanimous consent. I think I can say quite honestly that if after objection had been raised by members in different parts of the house I had not myself risen to say that I would support my hon. friend in his request, the opportunity which was accorded at that time would not have been given him. Having been given the oppor-tunity, the first thing my hon. friend said was, Oh, yes; I appreciate the kindness of the Prime Minister. No doubt he has been in a similar position himself and appreciates the difficulty of such a situation and is therefore helping me to meet it, or words to that effect.

May I say to the hon. gentleman that I have been in many positions, but I cannot recall that at any time in my life I was in the position where I asked a favour of another man in order that I might have an opportunity to knife him as strongly as I could. I would not pay so much attention to my hon. friend's help the cause that we believe in, heart and soul. When we did so we were not playing politics as they were.

Mr. GILLIS: There is no difference between the two parties at the top.

Mr. HANSON (York-Sunbury): The hon. member for Cape Breton South (Mr. Gillis) says there is no difference between the two parties at the top. I would hope that in essence, with the possible exception of a few members of the cabinet, we are all thinking alike about this war and the absolute necessity of winning this war if we are to survive. I invite my old friend, the hon. member for Richelieu-Verchères to come along with us and get on the band-wagon for victory. No one wants to crush him or his compatriots. We want equality of service. That is all. And I think the only way to get it is by the draft method. My fear is that conscription will come in this country, but that it will be too late to be effective.

I had intended to put on the record the position to which he referred in connection with what was done under the Military Service Act of 1917.

Mr. LACROIX (Beauce): Mr. Speaker-

Mr. HANSON (York-Sunbury): I hear the hon. member for Beauce (Mr. Lacroix) saying something. I am wondering what he has ever done to help to win this war.

Mr. LACROIX (Beauce): I have done more than the hon. gentleman has.

Mr. HANSON (York-Sunbury): I wonder what he has done to help to win this war. We never hear his voice raised in this house in approval of any measure that would in any degree help to win this war. There are many people in this country who are influenced by him, but I am glad to know that there are very few in this house who pay any attention to what he does or says.

Mr. LACROIX (Beauce): I know who you are.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. HANSON (York-Sunbury): Mr. Speaker, I had hoped to conclude before the dinner recess what I had to say, but owing to what occurred in the house this morning and this afternoon I found myself unable to do so. I confess that when I came into the house to-day I had intended to participate, to only a 44561-291 very limited degree, in this debate on the third reading, because I thought I had covered all the issues very thoroughly on the second reading and in the course of the remarks I made yesterday in the committee stage. I desire, however, to say something with regard to the Prime Minister's proposal for a vote of confidence, and I shall do so now, and then as rapidly as possible conclude what other observations I have to make.

In my view, the Prime Minister's proposal to return to the house for a vote of confidence in the event of his decision to impose conscription for service overseas is nothing but a sharp political manœuvre. The Prime Minister knows full well that a majority of both parties in this house would support an honest, straight-forward and direct system of compulsory service without any limitation, but he seeks to deflect that vote upon a question of high principle and of great national importance to a vote of personal confidence. He has told us that the vote will not be one on conscription because he will have settled that decision; he will come back for a vote of confidence, and I interpret that to mean a vote of confidence in himself and his government. I tell him here and now that I have not that confidence in him or in his administration, and I reserve the right to vote as seems most expedient in the national interest when the time arrives. I have no confidence that this administration will forsake the policy of appeasement and temporizing which has characterized it since the day war broke out; and until I am convinced that there will be a complete and absolute change in both the policy and the attitude of the administration, and particularly of the Prime Minister, I shall reserve the right to vote confidence or to withhold it.

I do not propose to take time to reiterate the position to which I adhere. I believe that the immediate and full enforcement of the true principle of compulsory selective service without geographical or other limitations is an urgent necessity if Canada is to make an adequate contribution. I shall not cease to urge my point of view on every possible occasion. I shall not cease in my endeavour to arouse public opinion in this country to that necessity, and to try to drive this government into action which I believe to be such a vital necessity if we are to have, what the Prime Minister has so frequently promised, total war waged by total effort.

We have been at war for nearly three years. For nine months of that period of time the war seemed to the people of Canada a very remote affair. Then came Dunkirk, when those of us who were following intensely the situation

Mobilization Act—Mr. Hanson (York-Sunbury)

that the state says I shall do. Further, I do not think there is a member in the house who, if the state in its urgency says, "We want you somewhere else to do a job," would refuse to do that job. I believe that the Canadian people as a whole, irrespective of race, irrespective of any other consideration, are willing to make every contribution they possibly can, every contribution it is humanly possible for them to make, if they are shown the way.

I would wish that the hon. member for Témiscouata (Mr. Pouliot), who is a man of some parts, a man well versed in the history of this country, would endeavour to understand the point of view of some of the rest of us, as I have tried to understand his point of view and that of those with whom he is associated in thought. If we could get together sometimes and discuss these matters we might have a better understanding. But I am afraid the floor of the House of Commons is not perhaps the best forum in which to arrive at conclusions, or get together in our ideas.

I should like to say a word with respect to our position in this matter, and the position of the Cooperative Commonwealth Federation. When the Prime Minister made his statement with regard to returning to the house for a vote of confidence I took occasion to say that the government had looped the loop three times. I meant that. It was not a very eloquent expression, but it was expressive of what I believed the position to be. This morning the hon. member for Rosetown-Biggar (Mr. Coldwell) stated that he largely agreed with what I had said, but suggested that the official opposition were looping the loop with the government.

If he means that we were urging the government along toward the goal of total war, he is right. We supported the government in its effort to free itself from the silly pledge that it made before and during the election. We helped the government to put over the plebiscite, to get an expression of the views of the people of this country, if not with respect to conscription at least with respect to releasing them from the pledge they had given. By the same token, I wonder if the hon. member for Rosetown-Biggar did not come along with the Prime Minister and myself on that occasion. He did. I heard his speech, and I read it afterwards. He was travelling in the same direction as we were.

Then came this vote on the mobilization bill. On the specious ground that by this bill the government was not proposing to conscript wealth, and in order to curry favour with certain parts of the electorate of this country, these hon. gentlemen of the Coopera-[Mr. R. B. Hanson.] tive Commonwealth Federation voted against the second reading of this bill. I want to say to the hon. member who is not at the moment in his seat—

Mr. MacINNIS: I think the hon. gentleman will have to withdraw that statement. It is a reflection upon the members of this group, and he has no right to make it.

Mr. HANSON (York-Sunbury): The hon. member can put his own interpretation upon my remarks, but unless Mr. Speaker says that it is a reflection, I have nothing to withdraw.

Mr. SPEAKER: I do not think there is any reflection in what the hon. member has said.

Mr. HANSON (York-Sunbury): By the same token, he reminded us that this was the ninth anniversary of the Regina meeting. Have any hon. members ever read the Regina platform? The Minister of Agriculture (Mr. Gardiner) knows what it was. It was an irrevocable statement that never under any consideration would they or their party participate in any foreign war. There is not any doubt about what attitude those gentlemen took in the days right up to the war. Shades of Mr. Woodsworth! Would he have done anything else? I listened to him speak in this house for years. We all know what his philosophy was with regard to war. He was sincere in holding those views, but I am doubtful about hon. gentlemen who have eleventh hour conversions when they think it is popular. There is not very much consistency about these hon. gentlemen who are now out for total war. Where were they two years ago, three years ago or nine years ago?

There is an old saying that you cannot make a silk purse out of a sow's ear. I am not going to apply that to the Cooperative Commonwealth Federation, but I am going to say that you cannot take an isolationist, you cannot take an anti-conscriptionist, you cannot take a non-participationist, you cannot take a man who says he would rather see his son go to gaol than go to war and make him a good participant in this war overnight. I want to say to my friends of the Cooper-ative Commonwealth Federation that they got off on the wrong foot when they voted against this mobilization bill. If they ever had any hope of becoming a great party in Canada, that hope was buried when they voted against this bill. I know my hon. friend charges me with tailing in behind the government. We did not tail in behind the government because we wanted to help them especially; we did so because we wanted to Then the time came, he said, when, driven on by those who, he claimed, had ulterior motives to serve, driven on by those who wanted to capitalize their positions, this government began to change until to-day, after tortuous steps, one by one, we are now in the position where we have compulsory military service, or have it with the exception of the last one step.

I deny that anybody who has advocated national military service has had any ulterior motive. I appeal to hon. members; I appeal to the hon. members on the Liberal side who spoke in support of conscription, and ask them if they advocated it from any ulterior motive. I appeal to the Minister of National Defence for Naval Services (Mr. Macdonald) whom I see in his seat. Does he advocate compulsory military service from any ulterior motives, or does he advocate it on the broad principle of the national interest? Surely that is the only reason why any of us has ever advocated that position. I was a long time before I brought myself to the position where I advocated it. I thought public opinion had to be educated to it. I thought the urgency of the situation had to be driven home to the minds and hearts of the people of Canada. I did feel that in days gone by there had been maleducation in certain parts of Canada, and if the hon. member for Richelieu-Verchères is responsible for that position, then he must take his share of the responsibility. I do not think he is attempting to escape from it. I think he, as a citizen of his province, will take the responsibility for anything he has advocated in the past.

We do not all think alike. I respect the opinions of those who do not think as I do. This is democracy, we cannot all have our own way. I speak to this opposition group. and to the other minority groups in the house, and I ask them: How often have we had our way in this House of Commons? We believe in the principle of majority rule, and I was glad to hear in the final words of the hon. member for Richelieu-Verchères a declaration of his adherence to that principle. Let me say to him that he is following in the footsteps of the greatest leader the Liberal party ever had. If Sir Wilfrid Laurier were here to-day he would advocate the principle which he laid down in a speech in the House of Commons in 1917 and which at least on one occasion I have quoted.

Enough on that point. The hon. member paid me, I think, perhaps, too high a compliment when he intimated—although he did not say it in so many words—that this government had been driven step by step to the position they are now in through the efforts of those of us who advocated first one step, then another, then another, and then another until we have arrived at the present position. I do not believe I have been wholly responsible for those successive steps. But his testimony was to the effect that we have done that, and I accept the compliment. I have not anything to retract for any part I have ever taken or for what I have urged upon the government of the country in the interests of total war for the salvation of civilization. I shall never retreat from the position I have taken.

If I have advocated by constitutional means one progressive step after another for Canada in this war for civilization, I have done so first of all out of a sincere conviction that I was advocating the right thing. Second, I have done so because I believed the government should be told what the public generally, aside from their own political group, was thinking. I have attempted to voice public opinion for the information of the administration which has the responsibility of carrying on the war.

Was that a duty? I think it was. If I did it, however inadequately, I have no regrets. If I had anything to do with the four months training plan, I have nothing whatever to recall. If the hon. member has any quarrel with or suggests any betrayal in connection with those who were called in under the four months training plan, then I say his quarrel is with his former friends who concealed as fully as possible their real intentions when they started this mobilization legislation.

I said yesterday the Prime Minister had always yielded to public opinion. In that connection I would point out that in the progressive steps which have been taken by this nation under his leadership he has yielded, in each instance, to public opinion. I believe that before this war is over, perhaps before many months, the Prime Minister will go further in yielding to public opinion, and we shall have at last total war by total effort.

Mr. POULIOT: What do you mean by that?

Mr. HANSON (York-Sunbury): Just what I say—total war by total effort, and it will not be confined to man-power alone. We may have to go the limit in everything. What brooks it if we lose this war? What brooks any of our positions if we lose this war?

Mr. POULIOT: Why don't you drive a truck in England?

Mr. HANSON (York-Sunbury): If it is necessary for me to drive a truck in England, or anywhere else, I am entirely willing to do so. I am entirely willing to do anything

Mr. CARDIN: On that point I do.

Mr. HANSON (York-Sunbury): Thank you. I can only conclude that he was referring to propaganda undertaken and carried on in the province of Quebec in various ways and manners unknown to me, which would have the effect of undermining his position and that of those who think as he does, and of propagating the position, the circuitous position, which this government has taken and which I exposed yesterday in the debate during the committee stage of this bill. I was struck with one statement made by the hon. gentleman, which I regretted to hear him make, when he issued the challenge or made the assertion that no one would crush Quebec. I ask him: Who is trying to crush Quebec?

Mr. LACROIX (Beauce): You.

Mr. HANSON (York-Sunbury): I am not trying to crush Quebec. I want to say that Quebec has played a great part in the history of this confederation. Without Quebec, confederation could not have been possible. With Quebec and the other provinces, Canada has arrived at the stage where she now is a great nation. Quebec has shared those responsibilities. Under the terms of the union the people of Quebec have been given privileges which are embalmed in the British North America Act, privileges which no one in this parliament with any sense of responsibility has ever tried to take away. That question has arisen many times. Many times leaders of every political party in this country, I care not what its colour, have assured the people of the province of Quebec that the contract of confederation would be kept; and no one has been more assiduous in attempting to keep the provisions of that contract than has the historic Conservative party in Canada, which made them possible. Therefore I say to the hon. member in all kindness that if he had any references to me or those who are associated with me when he mentioned the attempt to crush Quebec, I deny the allegation and repudiate the suggestion. I say to him that in order to make good that argument he will have to turn his face to his former friends, and I think by very logical reasoning he can do that. A pledge was made to his people by the Prime Minister of this country, from which during the course of the past six or seven or eight months he has been trying, by every circuitous route open to him, to escape. If the hon. gentleman has any complaint with regard to the way in which his people are being treated, he should turn his face to his former leader or his present leader, I do not know which to call him. As for us and our course, I will say this, that since we became convinced that [Mr. R. B. Hanson.]

compulsory national service was necessary in this, the greatest of all wars, we have been absolutely consistent in the course we have sought to pursue. We have not advocated that policy in favour of any class, in favour of any province or in favour of any racial element. We have advocated that course because we believe it is in the national interest; and every part and parcel of this country is part of the body politic and should so consider this situation.

During the course of his vigorous remarks the hon. gentleman indicted the present bill. He said it was the worst law that had ever been placed upon the statute books of a democratic country, and with that statement I am to a very large degree in agreement. Why? It was an emergency measure. It never should have been used as a substantive law. It was only enabling in its scope. It was to give the government power to do certain things, power which a government ought to have in case of an emergency; and that emergency not having arisen but the situation having grown more and more grave from day to day and month to month, the government of this country should have brought down in parliament a detailed measure dealing with the question of compulsory national service in every field of human endeavour. It should have brought that measure into parliament so that we could have passed upon it section by section, stage by stage, power by power, and should not have reserved to itself the power to legislate by order in council. That was the indictment which the hon. member for Richelieu-Verchères made against this bill—the power to do things in secret that should be done in public-and I have made a similar indictment on every occasion I ever had to refer to the matter. His indictment was with regard to the power to do clandestinely that which should be done openly in parliament by the representatives of the people, in the democratic way.

The hon. member says that if we adopted what I have advocated, national selective service, there would be no one left to conscript. I deny that statement. I have said that if we are going to have a total war effort in this country every man should be allocated to his job-the farmer, the artisan, the fighting man. That could have been done; yes, it could have been done very much easier two years ago. It could have been done much more effectively two years ago than it can be done to-day. But this government would not do it. The reason is absolutely plain-it was endeavouring to protect its political position. No one knows that better than the hon. member for Richelieu-Verchères.

JULY	23, 1942			4609	
	M	obilization	Act-Mr	. Hanson	(York-Sunba

The minority cannot rule; but let me say to the majority of this country, which according to the hon. member for Trinity should rule—and he asked that we should recognize the sovereignty of the majority—I do recognize the sovereignty of the majority in Canada, and the province of Quebec will submit to the legislation that is going to be passed. But if the minority cannot dictate its view to the majority, that majority should hesitate, should pause, before setting its iron heel upon a minority.

We are fighting this war, according to the Right Hon. Mr. Churchill and other leaders, for, among other things, the protection of minorities and for the rights of small nations. Let us not abuse their representatives by laughing at the expression of their opinions and criticize bitterly when they are expressing the views of their compatriots, the people they represent in this House of Commons.

My good friend the hon. member for Trinity in the course of his remarks, which are always interesting, because he is a very sincere man and a very broad-minded man, recalled to us an old saying, that the stone may hurt but not the words. Let me add to his saying, which is true in a sense, that if stones can hurt the physical body of a person, words and actions are often more harmful to the soul, and that the wounds of the soul are much more difficult to heal than the wounds of the physical body.

Exercise your authority, you members of the majority, but with kindness, not in Hitler's or Mussolini's way. Exercise it in such a way that the feelings of those upon whom you exercise it by the force of numbers are not hurt too deeply.

The people of the province of Quebec are law-abiding citizens. They have proved this in the past; they will prove it in this instance. When the law is enacted, although it is the worst law that has ever been passed by a democracy in Canada, we will submit. We will obey the law. There will be no trouble. We might remember the occasion, but just the same we will obey the law. We will in all sincerity try to do the best we can to accommodate ourselves to the situation which is going to be difficult as a result of what we have been promised not only by our leaders but by the leaders of all parties in Canada.

I know that my position is going to be misunderstood. It is already misunderstood in my own province. There is a veil of silence which is being used to conceal the activities of the representatives of the province of Quebec who disapprove the government. You have only to look at the newspapers and you will see that when one of the members opposing the government on that issue makes a statement it is hidden on the fourth, fifth, sixth, sometimes the twenty-fourth page of the newspaper, if it is reported at all. But when an argument is made in favour of the government by somebody who is ready to swallow the law there is no letter in the printing room of the newspapers too large to advertise the proclaimed great speech that has fallen from the lips of a supporter of the government. That is propaganda which is not any more commendable than the propaganda of Hitler, Stalin or Mussolini. It is propaganda which in a large part is being paid for with public money. It does not give the true significance of what is happening in this house, but it is intended to discredit those who have the courage of keeping their word and frankly and openly stating what they think.

You say, "Well, the majority has spoken." Yes, the majority has spoken—

Mr. SPEAKER: I am sorry to inform the hon. gentleman that his time has expired.

Some hon. MEMBERS: Go on.

Mr. HANSON (York-Sunbury): If it is the wish of the house that the hon. gentleman should proceed, Mr. Speaker, I shall be glad to give way to him.

Mr. SPEAKER: With unanimous consent the hon. gentleman may proceed.

Mr. CARDIN: Mr. Speaker, realizing the difficult position in which I was placed, you and the house have been kind enough, in one instance already, to allow me more time than is permitted under the rules to an ordinary member. I do not want to abuse that privilege.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I think we have all listened with more than ordinary interest to the address of the hon. member for Richelieu-Verchères (Mr. Cardin), who has just resumed his seat. He showed, I think, all or nearly all of his old time vigour; he showed his ability to speak extemporaneously, and he marshalled his arguments with much of the power I have seen him exhibit in former days. I should like to say, however, that with respect to certain portions of his remarks he said either too much or too little. I confess that with respect to certain cryptic utterances which he made I did not under-stand the innuendo, and I hoped that he would enlarge, to a degree at least, upon the position which he says obtains in certain quarters in the province of Quebec. I hope that at least he is absolving me and those whom I represent from any participation in the position to which he referred.

they had come to form part of French nationality; they had become French citizens by heart and culture.

There is another good friend of mine, a man to whom I listen attentively when he speaks, because he is refreshing. His speeches remind me of the debates I heard in this house when I first came here thirty years ago. I refer to the hon. member for Parry Sound (Mr. Slaght). I regret not having waited, when I made my speech on the second reading of the bill, until the hon. gentleman had spoken, because he supplied all the material that was necessary to justify the speech I myself made. It is only in the conclusion that we differ. He made the strongest speech that could be made against conscription, but he made it in support of a conscription legislation.

Nothing has been shown, nothing has been indicated to us to prove that it is necessary at the present time to have such legislation on our statute books. We have been told that it will place our position in a better light before our allies. Well, if our allies are in such a state of mind as to be satisfied because we have on our statute books legislation which most of the ministers have said will not be applied, our allies are very easily satisfied. It would have been better to make them a gesture of good understanding, otherwise, for example, to shake hands with them.

Before condemning the province of Quebec for the attitude she is taking, and the members from that province on this very important issue, the members of this house and the press of the country should look around the world a little and inquire what is happening in other countries which to a certain extent are in a position similar to that in which Canada finds herself to-day.

Can you seriously condemn the attitude of the people of the province of Quebec when you absolve by silence what has happened in Northern Ireland? Are they not in a danger zone, exposed to attack? Is not the south of Ireland exposed to attack, with the very important maritime ports which they possess and which they have so far refused to permit England to use? Are they not in danger of being attacked, much more so than we are in Canada? Who is condemning, who has been condemning them in this house? Who has had the courage, during the debate on the second reading and even now, to raise his voice against the attitude of Ireland, north and south? Nobody. But the good old goat of the province of Quebec has to bear the burden, has to be punished; the fight has to be carried against the province of Quebec as it was carried on in 1917 for the benefit of people we know.

What about the position of Australia? Australia does not have compulsory military service for overseas. We have been told that they sent a number of soldiers overseas who have been fighting gallantly in Libya and elsewhere. That is true, and they deserve all praise for it. Nevertheless, in Australia there is no military service act that provides for service overseas. Legislation of that kind was defeated in the last war, and it has been defeated in the present war as well.

Then we are told that the best method of avoiding invasion in Canada—it is a dream is to fight the enemy on the ten or fifteen or twenty or twenty-five points where the war is raging in Europe and in Asia. Where is the front to-day? Is the front more in the British Isles than it is in Libya? Is the front more in the British isles than it is in Russia to-day? Certainly it is not.

Australia did not have compulsory military service for overseas, and they sent soldiers to fight in other theatres of war. Did that prevent them from being attacked? No. They were attacked just the same, and they were attacked probably with more success, because a large number of their soldiers, their sons, have been scattered all over the world. They are thinking of bringing them back to Australia in order to defend their own land.

I do not see any weight in the argument that we must go and defeat the enemy elsewhere. Where? There are ten points in Asia and Europe where the enemy is having successes at the present time. Where is the front we are going to choose to send our men when we apply the military service law?

The province of Quebec is unable, as she was unable in 1917, to force her opinion on the majority of this country. She has no intention of imposing her views on the majority of the Canadian citizens if they want to have conscription. But I contend that the province of Quebec has the right—and I have exercised it and I do exercise it at the moment without any fear of any kind—to express her own ideals in the councils of the nation. If we cannot do it the way we are accustomed to argue things of that kind according to our temperament, according to our mind, as I said a moment ago, let us say good-bye to confederation and let us say good-bye to democracy.

But I feel that there is in this country a majority capable of understanding the point of view of the province of Quebec and ready to listen to those who represent her in this parliament and to concede to them the liberty of expressing, in the way they like, their point of view on all the problems that are being discussed in this House of Commons. That is all that we ask.

[Mr. Cardin.]

I have a thousand times reason to say that this House of Commons is not master of itself; it is obeying, it is working according to the wire-pulling of a small group in our country who is trying to serve their own interest, to better their own personal position and have their own way under the cover of the war. Some also want to have the province of Quebec pay for her attitude. I have heard some insulting speeches in this house, and I have read insulting editorials in certain newspapers. Some have said, "Let us finish the war, and then we will deal with Quebec." Well, let them come. They will not do it. At the bottom of their hearts they are too much of the slacker kind to risk it. They hide themselves behind their desks, where they write editorial columns slandering citizens of a province which has been doing much more than they have been doing themselves individually or their families, for the prosecution of the war. We are not afraid of them. We are citizens of this country, and there is no majority in Canada that is going to wipe out the minority of the province of Quebec.

The leader of the Cooperative Commonwealth Federation party (Mr. Coldwell) read to us a few editorials which have been published in certain sections of Canada. He could find some in my own province, and I could find some, written, not in the same way, but in a more insidious fashion though none the less effective, in the French language, as a result of paid propaganda. A campaign is going on in the province of Quebec against myself and other representatives of the province who have voted against the bill, this according to our consciences and our convictions. We are misrepresented in our province, but these misrepresentations reach only the surface. There is going to be a day of reckoning in Quebec.

Some who were afraid at the difficult time of the plebiscite to show even their noses outside their doors to help us in trying to have the people of Quebec vote "yes", are now the bravest men on earth. They never miss an opportunity to dictate to federal members what they should do. They suggest to them to submit, submit like good little boys and good little angels, because something dreadful might happen if they do not.

Mr. LACROIX (Beauce): Godbout!

Mr. CARDIN: That is the kind of propaganda which we have witnessed, not only in the English provinces, but in the province of Quebec itself.

We have been told that if our people are reluctant to submit to conscription, it is

because we lack leadership; that proper leadership, to borrow the expression of some hon. gentlemen, has not been given to our people. What about leadership in the other provinces? What about leadership in other sections of the country? The leaders of the province of Quebec as a whole compare favourably with the leaders of any other province, and French Canadians have no reason to be ashamed of the standing and the orderly attitude of their leaders.

I suppose I come under the condemnation of those who say that we have had the wrong leadership in Quebec during the last twentyfive years. I suppose that the late Right Hon. Ernest Lapointe also comes under that condemnation, and also the late Sir Wilfrid Laurier. What Sir Wilfrid did and said is in Hansard. It has been cited on many occasions. He did what we are doing now; he opposed compulsory military service for overseas. And mark you, what the late Right Hon. Ernest Lapointe and I did in the province of Quebec was done with the approval of our leader and of all our colleagues in the government of which we were then members, and also without criticism from the leaders of the other political parties in Canada.

In fact for the last twenty-five years the leaders of all political parties have themselves or by their recognized supporters, advocated the same policies which I myself advocated during that period—opposition to compulsory service for overseas.

When I tried to explain the position in which French Canadians find themselves in comparison with English-speaking members of this house, I was taken to task by a very good friend of mine, a man for whom I have the greatest respect, the hon. member for Ontario (Mr. Moore). He tried to establish that my claim that we were the first to open this land to civilization was wrong. He contended that of the number of people speaking French at a certain period of history only 5,000 were not Normans, and he said, if I remember rightly, that he was a descendant of the Normans. Well, following that line of reasoning, I could say in all friendliness to my hon. friend the member for Ontario, a very learned and most respectable gentleman, that he could have by the same process, traced his origin right back to Adam and in that event, he might have placed himself among the Jewish race. When the Normans came to Canada they were then a part of France and they came to Canada not as Normans but as French. They came to the new France as the subjects of the King of France. They came as Frenchmen and not as Normans, because in the course of years

Mobilization Act-Mr. Cardin

Another objectionable aspect of this bill is that it is retroactive. It constitutes a breach of faith with the young men who were enlisted forcibly for service, in Canada only, under the mobilization act which was placed on the statute book in 1940. When that measure was before the house, and when it was before the country afterwards, it was understood that it meant enforced military service only for the defence of Canada in Canada. When we forced the young men to enlist under the mobilization act we promised them it would be for only one month, that after one month's training they could return to their occupations and need not worry until the time would come when Canada would be in danger. Some people then said that one month's training was ridiculous, but not very many said it in 1940, when the mobilization act was passed. After it was on our statute books, after our young men had been enlisted by force, after they had been sent to the training camps, it was argued that one month was not enough; that they should have four months' training. As a result of that agitation the training period was changed from one month to four months.

After these young men had been brought into the camps on the understanding that they would have to stay there only four months, whereupon they could return to their occupations, another agitation was started by certain military authorities, and certain other people in an effort to crush the province of Quebec .- Let me here serve notice upon these people that it will take greater strength and more courage than they possess to crush the province of Quebec. As I say, an agitation was started against the four months' training, saying that the advantage would be lost if these men were not transferred to the regular regiments. It was argued that the country would lose the benefit of their four months' training. Can it be said that those who received military training in the European countries years ago, for six months or for a year and who were called to the colours only two or three years after as a result of war, were of no value in France and in the other countries where they had military service?

Nevertheless we were told that the advantages of four months' training would be lost because these young men would return to the farm and to other occupations and would be no good as soldiers in the defence of their country. We acceded to that agitation; we acceded to the wishes of the leader of the opposition and his friends and the agitators in Toronto, the minority of which we hear from so much, and of which we are so much afraid in parliament. The trainees who had *IMr.* Cardin.] been told they would be trained for only four months had to resign themselves to serving until the end of the war and to being transferred to the regular training centres all over Canada.

This legislation deletes section 3 of the mobilization act, which limits its effect to service for Canada in Canada. We are now saying to those young men who were told by the registrars that they would have to serve only one month, who were later told they would have to serve four months, who were later told they would have to serve for the duration of the war in the active force of Canada: "Forget that you were called to defend Canada on the soil of Canada; you are going to be kept where you are, and if one day the governor general in council deems it advisable that you should go overseas, you will have to go overseas whether you have been called up for a month, for four months, or for service in Canada during the war."

This retroactive feature is the worst thing that can be placed upon the statute books of our country. It was always with the greatest hesitation that any government took such a step in the past. Yet we have it to-day in a legislation dealing with life and death.

We are breaking faith with the young men who have enlisted, and with the people of Canada. For what reason? I have listened very patiently, as I thank hon. members for listening to me, to all the speeches which have been delivered in this house; and everybody in the country knows now that threefourths of the members of the present cabinet have said that conscription is not necessary; that we do not at present need to have recourse to compulsory military service for service overseas. Quite the opposite; we need the men, all the men that we can enlist to work in the shops preparing materials of war.

We have at present nearly one million men in the industrial establishments of Canada producing materials of war, and a quarter of a million more will be required to manufacture war equipment and provide other instruments necessary for the prosecution of the war.

From the opposite side of the house, as soon as hon. members had advocated a policy of conscription for service overseas, practically all of them, one after the other, inquired with anxiety about the situation of the farmers in their respective constituencies, and demanded that the regulations should be applied in such a way that the farmer should not be interfered with. That is the spectacle we have been witnessing in this house.

on this bill, and to press my strong opposition to the principle embodied in it. If I needed any justification I should need only to count the pages of Hansard on which appear the speeches of representatives from other provinces on questions relating particularly to those provinces and the interests of the electors they represent in the house. We have listened patiently and with pleasure to the numerous and extended debates on the grain question, because we believed that it was the right and privilege of hon. members from other parts of Canada to explain fully their points of view, in order that they might be understood by the government of the day, and that their proposals might be considered. On many occasions hon. members from all parts of the house and representing all shades of political opinion have enjoyed the liberty of speaking, as long as the rules of the house permitted, on any matter of importance to their constituents or the provinces they represent.

I say it is unjust for any member to stand in his place in the House of Commons and blame those who have spoken at length on such an important question as this—the most important that parliament has had to consider. We have the right to speak our minds. If that right were denied to us, we might as well say good-bye to that pact of confederation in which we are all equal partners. We might as well say good-bye to democracy, and apply to this land the theories we are fighting against in Europe and elsewhere.

I have no apology, to make, nor do I propose to offer any, when I say that the law we are at present enacting is worse than the law enacted in 1917 by the Borden administration, and supported afterwards by the Union government. This law gives more power to the present government and to the governor in council than the law of 1917 ever gave to the government then in office.

At that time we had a statute, a law, before us. It gave as many details as could be given in a piece of legislation, and there was provision left for regulations in respect of less important matters. But the main principles were embodied in the statute, and were not left for a proclamation or an order in council to determine, as is the case with the measure we are now discussing. We have been told that this bill is enabling legislation. Yes; it is enabling legislation, giving the government power to do everything which pleases the government, at any time which pleases the government, and to act at any point or under any circumstances which in its opinion may seem favourable or justifiable.

Mobilization Act-Mr. Cardin

I listened the other day to the speech delivered by the leader of the opposition (Mr. Hanson) when the bill was in committee. I regret to say he did not take advantage of the situation as he should have. True, he used certain strong words, but the general trend of his argument was only a praise and an approval of what the government had done, and an expression of support of the legislation before parliament.

He could have done more than that. He could have claimed for his party a partnership in that legislation, because to-day we are faced with this legislation because of agitation which has been raised—and I am not afraid to say this—by his friends, and by the press supporting his friends and his party in the country. That is why we have the legislation before us to-day.

Almost every step that has been taken up to the present in the prosecution of the war has been taken as the result of the threat of a motion or amendment being moved by the opposition, and because of the fear that such a motion or such an amendment, if proposed, would destroy to a certain extent the strength of our party in the House of Commons. That is the position. I do not need to be afraid to speak my mind; it is not at my age that one should be afraid to speak his mind.

This measure goes a long way beyond the proposal made by the leader of the opposition in the speech he delivered in the debate on the address in reply to the speech from the throne. Anyone who reads the proposals put forth at that time by the leader of the opposition must be convinced that the kind of conscription he was proposing was less extensive and less effective than what is embodied in the legislation at present before His proposal started out with providing us. exemptions for farmers, for men working in war industries, and for men working in industries related to the war effort. It was only at the end that he took up the question of military service in any theatre of war. If the amendment proposed by the leader of the opposition had been put into practice, there would have been nobody left to conscript. He wanted a selective service that would provide for agriculture, for war industries, and for those civil industries which are necessary for the welfare of our economy. Then, after all this, he proposed to provide for the conscription of men for service in any theatre of war. I repeat that the bill now before us goes far beyond the limits of the suggested selective service or supposed conscription proposed by the leader of the opposition when he spoke on the address.

COMMONS

Mobilization Act-Mr. Ross (Souris)

scription were prepared to leave to others the task of doing for Canada, their homes and families what they refuse to do for others and even for their own country. That is a groundless statement, to say the least. The Prime Minister should be the last man to use such language. He was not talking that way when he solemnly asserted that not a penny of the increase in the estimates was intended for anything but the defence of Canada, and solely of Canada. He was not talking that way when he promised, in the following terms, that Canada would not participate in outside wars. Let me quote his words:

We shall probably never again see the day when large bodies of infantry have to be dispatched overseas.

The Prime Minister also said:

We must choose between minding the affairs of our own country and trying to save Europe and Asia.

The Prime Minister was not talking that way when he gave the unconditional pledge that he would never enforce conscription, as evidenced by this solemn statement:

Let me say that so long as this government may be in power, no such measure will be enacted.

The conscription measure.

Is there anything more blameworthy than to fail to keep so many promises, than to break so many pledges? Is there anything more apt to foster doubt, distrust and hatred as regards constituted authority? What more despicable doctrine than one founded on contradiction and falsehood? What greater threat to the very existence of our laws and constitution than the implicit acceptance of error and deceit triumphant over truth? I maintain that such an evasive attitude is more harmful to our war effort and to the morale of the Canadian people than the most nefarious doctrine and the most pernicious policy.

In conclusion, I have the honour of seconding the amendment moved by the hon. member for Gaspé (Mr. Roy).

Mr. J. A. ROSS (Souris): I shall take only a few moments, Mr. Speaker, but I wish to repeat that at the present time we have a very unfortunate man-power situation on our hands with respect to agriculture, industry and the armed forces. I should like to endorse the remarks of the hon₄ member for Trinity (Mr. Roebuck) who argued this morning for immediate action in respect to this conscription bill now before the house.

I should like to ask the Prime Minister (Mr. Mackenzie King) a question, which I may not have the opportunity of asking at [Mr. Lacombe.] another time. In the course of his remarks on this bill the Prime Minister stated that when the cabinet considered conscription necessary an order in council would be passed, parliament would be consulted and would be asked to vote confidence in him, and I think he added without debate. That does not seem feasible to me, though I suppose it might occur if he could muster enough votes in his support through the party whip. However, I think he might explain to us, when he speaks on the third reading of this bill, what would be the implications of a vote of no confidence in a party administration, at a time like this, under war conditions. That is to say, suppose there were a non-confidence vote, would it mean a general election in the country at this time? Or, on the other hand, would he do what Mr. Chamberlain did in Great Britain, and call upon one of his colleagues, as Mr. Churchill was called upon, to form a government and carry on under the present conditions and difficulties?

As he is the sponsor of the bill I trust he will make this implication quite clear to us in his discourse on the third reading of the bill, and more particularly since he has already intimated that at some future day we may be called upon to vote confidence or nonconfidence in him without debate.

Hon. P. J. A. CARDIN (Richelieu-Verchères): Mr. Speaker, I desire to avail myself of this last opportunity to express my opposition to the bill which stands now for third reading. I shall express my views in the course of only a few minutes, but I wish to say that I do not feel the necessity of offering any apology for taking part in the debate, despite the fact that some hon. members during the debate on second reading said it was rather prolonged. I claim that all representatives of the people in the House of Commons are entitled to express their views, whether or not it prolongs or delays the proceedings. If we have not the privilege and the advantage, within the rules of the house, of stating our own views and giving our own opinions on questions which arise in the house, then I ask myself: What are we fighting for in this war? No hon. member of the House of Commons has any right to protest against the discussion having been prolonged, because all hon. members who had views to express had the right to voice them on the second reading, and to make their sentiments known. They expressed at the same time the opinions of the electors who sent them here as their representatives in parliament.

I have no apology, I repeat, for standing in my place a second time to stress my views

Mobilization Act-Mr. Lacombe

promises, broken with its past? I trust they will not remain deaf to this appeal in favour of cooperation, of a sacred unity in unmasking those who prefer colonialism to autonomy, slavery to freedom.

Will they remain faithful to the Prime Minister and this conscriptionist government or, following Laurier's example, will they prefer honesty, truth, courage and honour to power? Let them remember that the stand of the present government is a cynical denial of Laurier's career, the man who, almost an octogenarian, travelled through the whole of Canada, from one ocean to the other, in order to fight the Borden conscription measure in 1917.

Mr. Speaker, if there were a sixth reading of the bill provided for in the Canadian or British constitutions, I would still oppose this unfair and arbitrary conscription measure.

Will the year 1942 see a majority of the members of parliament sign their names to this heinous conscription law, without a mandate to do so from the Canadian people? Will the present generation remain indifferent, unconcerned or powerless witnesses of the repetition of the frightful deed perpetrated twenty-five years ago by a government censured by the Canadian people, dogged and removed from office as public enemy number one for over a decade?

Woe unto those men who, without due consideration, are on the point of repeating the criminal error of 1917. Woe unto those flatterers and imposters who, during the plebiscite campaign, sheltered in the radio studios, broadcast falsehood to mask their treason. Woe unto all the crooked and false politicians who foment misunderstanding and doubt in our so-called sacred democracy, while our soldiers are laying down their lives to safeguard it. Mr. Speaker, woe unto all those disciples of Voltaire whose motto is: "Lie and keep on lying, it's bound to bear some fruit."

But I say that nothing, absolutely nothing, will come of this conscription measure or of its sorry and hypocritical authors save strife, hatred, doubt, distrust and defeat. Before another year has passed, Providence will rescue our country from the deceit, lies and treason to which it has fallen a victim. In this energetic and pathetic fight for Canadian liberties, we shall show the same tenacity, eagerness, courage and patriotism that have ever guided us in all the various disasters that have assailed our beloved country.

One last word. It was easy to foresee that the mobilization act contained all the elements of conscription for overseas service. The previous stand of the government was reason enough for anyone to understand the menace that this mobilization act, which I energetically opposed on June 18 and 19, 1940, constituted for the Canadian people. A positive proof of this lies in the Prime Minister's statement to the effect that conscription has been on our statute books ever since June 21, 1940. I thank heaven for having foreseen the dangerous stand taken by the government in June, 1940, as I had previously forecast, in September of 1939, the misfortunes which would befall our country. Participation and mobilization were the fatal stepping stones to conscription.

Are those who refused to support the successive amendments I moved in connection with participation and mobilization now satisfied with their stand, their abstention and their work? The events of the near future will give a forcible answer to that question fraught with so many direful consequences.

Mr. Speaker, who mentioned in this house or on the hustings the matter of a sacred contract? Who was simple enough to believe in the government's sincerity after what happened in parliament in 1937, 1938 and 1939, when the defence estimates were increased? I flatly refused to concur in those estimates. I knew that they were not for the defence of Canada but for participation in war. Who could reasonably draw another conclusion when the government rejected my repeated requests that the Militia and Defence Act be amended so that Canada might not have to participate in outside wars? The people of this country will judge, and history will confirm, that those who joined the advocates of imperialism and conscription in accepting participation and mobilization, are responsible for the enactment of conscription. They will vainly try to conceal their anti-Canadian stand. The people shall be made aware of all facts. We are going to enlighten them by every possible means. We have too long delayed doing so, although for a very lofty motive; the desire for concord and harmony. There is something loftier and greater than that motive; it is the triumph of truth over error and the welfare of this country. That is the principle for which we will fight alongside all true Canadians who may join our banner. We do not care for the shameful desertion of some or the cynicism of others. A surging torrent will sweep all that away. The wave of Canadianism which is now rolling over the country will sweep the remnants of a government dominated by a military and financial imperialism which is planning the downfall and ruin of Canada.

The Prime Minister stated in this house on July 7 last, that the opponents of con-

Mobilization Act-Mr. Bence

united nations, I subscribe to it, and I believe that all hon. members would subscribe to it. But I do say in all sincerity that any member or group of members is taking a very grave responsibility in voting against this bill on the basis that their particular brand of conscription must come first, otherwise, they are not prepared to give the administration the power that might mean the difference between victory and defeat. Such a stand will not help the soldiers, the sailors and the airmen of this country when the testing time comes; and when that time comes, in its strongest point it will be support on the field of battle that is needed and not quotations from political speeches either in this house or outside.

I am opposed to the stand taken by the Prime Minister (Mr. Mackenzie King) in his last speech on this question when he said in effect that if conscription for overseas service is enacted it will not be put into effect until a vote of confidence has first been obtained from this house. The people have voted in favour of giving power to the administration. Members of parliament have voted in favour of giving the power to the administration, and nothing further is placed in the way of giving effect thereto. If the Prime Minister wants to return to the house for a vote of confidence at any time, that is his privilege: but I say to him that it should not be a condition precedent to his acting expeditiously in the matter of sending troops for overseas service if the circumstances warrant it.

Mr. LIGUORI LACOMBE (Laval-Two Mountains): I want to say a few words in support of the amendment moved by the hon. member for Gaspé (Mr. Roy).

(Translation): Mr. Speaker, this measure is odious, anti-national and anti-Canadian. It is destructive, unjust, arbitrary and calamitous. This I intend to demonstrate in a moment. It is a challenge to public opinion clearly expressed on March 26, 1940, in favor of a free and voluntary policy. Parliament holds no other mandate than that it received from the Canadian people at the last general election. This mandate was never revoked. The plebiscite campaign was nothing but a fraud perpetrated by the Prime Minister (Mr. Mackenzie King) who squandered public funds for this purpose and conjured up an alleged majority which never existed. Never has an administration shown itself more wasteful and extravagant. Never in the history of Canada has there been a government more prodigal and less concerned with the public interest.

What is happening to our finances, our agriculture, our trade and our national resources? Our entire national heritage is being ruthlessly sacrificed by the present government, now more detested than the Borden administration ever was. Why is this? Because the Borden government, although just as colonial, just as imperialistic and conscriptionist, was more open, more loyal, more honest in its dealings than the King administration. Because the Borden government never reached the degree of duplicity, hypocrisy and cynicism attained by our present ineffable administration. Past masters in the art of trickery, they are proceeding step by step. They stated at first that we would not participate in the war. Then came participation. They declared that such participation would be free and voluntary. Then our youth and resources were mobilized. That mobilization was allegedly proceeded with for the defence of Canada and of Canada alone. And now, by changing our Mobilization Act into a conscription measure, they are preparing to send overseas our sons already mobilized under the law. In this supreme hour, I shall make a last stand against conscription, in order to save what may yet be saved in this orgy of expense and carnage and blood. I earnestly urge the hon. members of this house to think of Canada's future, to think first of all of organizing her defence.

I implore my hon. colleagues to bar the disastrous path down which the government is treading and to cry out with us: "You shall not pass!" On behalf of our Canadian youth, of the survival of our agriculture, our trade, our industry, our fisheries, our national resources and our living strength, I pray for the earnest support of my hon. colleagues to give the death blow to this conscription measure which threatens to demolish the defence of Canada and the very existence of the nation. Yes, let us give the death blow to conscription which the people have damned for over twenty-five years. We have no right to rush headlong into the abyss. We have no right to sacrifice our sacred heritage, in defence of which we would gladly give our lives, for the sole benefit of other countries who will become the graveyard of our national defence. It would be an infamous crime to sacrifice the physical, moral and spiritual wealth of our land to a military and financial imperialism which is planning our ruin and our downfall.

In closing these remarks, I launch a third and last appeal to my fellow members of the Liberal party. What ties could be powerful enough to bind them still to a government that has broken its solemn pledges and

4602

[Mr. Bence.]

think of the situation of the French Canadians in such an event? It seems to me that that should be considered too.

The outlook, as it appears to me, is so full of dangers of all kinds, of uncertainties, and of threats of all sorts, that in the midst of so much confusion and such a great division we members of parliament should not take the terrible responsibility of adopting this legislation at the present time. The situation is developing every day, and I think the government would be justified in looking over the situation again and postponing the adoption of this measure. If the bill is passed at this time, now that we are threatened with a division which is not likely to heal, with this religious war going on, and the bogey that has been set up against the Catholic church, unless it is stopped right away, trouble may start at any time. I am afraid of that. I think the government should look over this matter once more before plunging along a course of which the end cannot be seen. The curtain between to-day and to-morrow is too thick.

Mr. A. H. BENCE (Saskatoon City): Mr. Speaker, I did not speak on the second reading of this measure because I supported it, and because I subscribed to the sentiments expressed by the leader of the opposition (Mr. Hanson) when he made his speech on the second reading, and I believed that all that was necessary was the casting of my vote when the motion was put to the house. I did not feel that it would add anything to the seemingly endless repetition which went on in this house for some weeks. But in view of the circumstances, and of the situation which has arisen as a result of some of the speeches that were made, and of the last speech made by the Prime Minister (Mr. Mackenzie King), I wish to make my position clear, and to do so as briefly as possible.

I supported this bill because I could do nothing less. The administration, whether rightly or wrongly, believed that its hands were tied, with respect to having a full-out war effort, in one particular, and that particular was in respect of the sending of men for service overseas. It decided by way of a plebiscite to obtain the opinion of the people on the question whether that restriction should be removed, and the people of Canada voted in favour of its removal. My constituency voted in favour of the removal of that restriction by 16,710 to 2,074, and in my opinion it voted in effect for the passage of the very legislation that is before the house to-day. I am bound to assume therefore that when they cast their vote they believed that I as their representative would take that stand in this house and would vote in favour of any legislation that

might be brought forward to remove that restriction, for which purpose the plebiscite was taken.

I have no apologies to make for voting in favour of the bill. I am consistent in the stand I have taken, and I do say that neither I nor the members of His Majesty's loyal opposition have, in the words of the hon. member for Rosetown-Biggar (Mr. Coldwell) this afternoon, in any manner, shape or form looped the loop. How anyone whose constituency voted in favour of the removal of this restriction can get up in this house and vote against it surpasses my understanding. Out of twenty-one constituencies in Saskatchewan, twenty voted in favour of removing the restriction, and I say at least to those twenty members that they are in duty bound to their constituents to support this measure in the house. I believe that those were the wishes of my constituents, and I propose to adhere to their wishes and to free the hands of the administration in this particular.

With respect to the conscription of wealth, my position was made clear some time ago.

I have repeatedly stated that we should do everything without reserve, and when I say without reserve I mean the complete and total mobilization of material things as well as of man-power. As I said before, one of the worst things that could happen to the morale of the Canadian people would be to leave, in the minds of those who are giving their husbands, sons, brothers and sweethearts to the service of the country, the idea that those who have material wealth are not prepared to put all in the balance in order that we may emerge victorious from this struggle. I adhere to that enunciation of principle as being a sound and proper one.

One can put almost any interpretation one chooses on the principle of the conscription of wealth. One can insist that no matter how far we go, it is still not conscription of wealth -many people in this country to-day believe that we have conscription of wealth-but I do say that this is no time to be indulging in risky experiments. This is no time to indulge in anything that might react unfavourably to our war effort, and this is no time to be adamant about getting one's own way with respect to one's own political philosophy. We have too much at stake for that state of mind to govern our actions in this house. I will say this, however. If it is shown that the extension of the principle of conscription of wealth in any one particular can save the life of any one man in the service of the country; if the extension of the principle of the conscription of wealth in any one particular would expedite the victorious conclusion of this struggle, on behalf of the

policy which will unnecessarily upset that balance, and hinder one or other of the allimportant phases of our war effort.

As I have said, I think those statements are a true expression of the ideas shared by the first school of thought among the members of the cabinet. I wonder how the second group, which is not half as large as the first, can impose its views upon the larger group? No proof has been given of the necessity of sending more troops overseas, especially when one keeps in mind the threats we are facing just now, the needs of our war industries, the needs of agriculture. I cannot understand why that group should stick so firmly and so stubbornly to the idea of conscription for overseas, because it will change the whole situation in this country and waste the service which can be rendered by individuals under the present circumstances.

This second school of thought, which is quite radical, is followed by the ministers of national defence. It looks to me as though they are rather for European defence before they are for our national defence. That is quite paradoxical. They represent the military opinion, and their ideas are backed up by another school, which is far worse-what I would call the imperialistic school. I do not want to say anything which will destroy the confidence and respect we should have for our military authorities. Everyone recognizes their gallantry and the importance of the task they have undertaken in the defence of this country. But as military men they have ambitions, and their ambitions should be controlled so that Canada will not go to another Hong Kong or make more mistakes such as those which have been made in the past, not only by Canada but by other nations.

I wish to read a letter from a man for whose memory there is much respect. On March 12, 1885, Sir John A. Macdonald wrote to Sir Charles Tupper from Earnscliffe, Ottawa, as follows:

My dear Tupper,

I have your notes of the 18th and 27th on the subject of sending Canadian troops to the Soudan. I wrote you a hurried note the other day on this question, and have both before and since talked it over with my colleagues, and we think the time has not arrived, nor the occasion, for our volunteering military aid to the mother country.

We do not stand at all in the same position as Australasia. The Suez canal is nothing to us, and we do not ask England to quarrel with France or Germany for our sakes. The offer of those colonies is a good move on their part, and somewhat like Cavour's sending Sardinian troops to the Crimea. Why should we waste money and men in this wretched business? England is not at war, but merely helping the Khedive to put down an insurrection, and now that Gordon is gone, the motive of aiding in the [Mr. Roy.] rescue of our countrymen is gone with him. Our men and money would therefore be sacrificed to get Gladstone and Co. out of the hole they have plunged themselves into by their own imbecility.

Again, the reciprocal aid to be given by the colonies and England should be a matter of treaty, deliberately entered into and settled on a permanent basis. The spasmodic offers of our militia colonels, anxious for excitement or notoriety, have roused unreasonable expectations in England, and are so far unfortunate. I dare say that a battalion or two of venturous spirits might be enlisted, but 7d. a day will cool most men's warlike ardour.

Our artillery batteries are not enlisted for foreign service, and could not be ordered to the Soudan. The Fenians are beginning to show signs of life again in the United States and there are so many unemployed there that they may become dangerous again. They threaten to invade Canada if she sends troops against the Mahdi. Most of this is nonsense, but we can never calculate on what these people may do. If there should be a row with Russia, we shall have to send our men via the C.P.R. to Vancouver, but I fancy that threatened storm will blow over.

We are dragging on slowly this session. The government is too old.

Your sincerely,

John A. Macdonald

If Sir John A. Macdonald was right in what he said at that time, we are well-justified in saying the same to-day. The threat of war puts Canada to-day in a far greater danger than it was at that time. Canada needs all its man-power and all its resources to organize its own defence just now. The country is facing a division which may lead us—where? I do not know; just the thought of it affrights me.

I will quote another opinion which is more recent. It does not come from a traitor; it is not the letter of a traitor, as the leader of the Cooperative Commonwealth Federation, quoting from an Edmonton newspaper, says he is accused of being, with the fifty-four who voted against the second reading of this bill. This sentence is from a speech of the late Lord Tweedsmuir in 1937:

Canada is a sovereign nation and cannot take her attitude to the world docilely from Britain, or from the United States, or from anybody else. A Canadian's first loyalty is not to the British commonwealth of nations, but to Canada and Canada's king, and those who deny this are doing, to my mind, a great disservice to the commonwealth.

There is another point, Mr. Speaker, which I do not think has yet been brought up by anyone. Has anyone thought of the falseness of the situation in which we would be placed if French Canadians were forced to go to fight overseas, if the Canadian army were called to invade France, and if France should resist such invasion? What do you

Mobilization Act-Mr. Roy

the Canadian public fully realized how difficult the situation is, how necessary it is to do everything possible to defend our country, it would be suicidal instead of being helpful; it would impair our effort rather than help it.

On June 17 the Minister of National War Services (Mr. Thorson) is reported as follows, at page 3411 of *Hansard*:

In my opinion the imposition of conscription for service overseas at the present time would definitely be hurtful to the war effort. The people of Canada are much more concerned with the achievement of results than with the application of theories, and the action of the government will be governed accordingly.

He added at page 3412:

Furthermore, our war industry programme contemplates and involves heavy man-power requirements. So does the programme for essential agricultural production. I shall not deal in detail with either of these programmes, except to say that the man-power necessary for their performance cannot be withdrawn from the essential purposes of war without hurting those purposes.

It is the duty of the government to allocate man-power in accordance with the needs of the war purposes of Canada and the war objectives that I have mentioned.

This is a serious opinion, and I suggest it should not be disregarded.

On June 22, as reported at page 3507 of *Hansard*, the Prime Minister has this to say about threats upon Canada by the Japanese:

It is as critical a situation in the middle east as has arisen since the war commenced. There have been as well evidences in the past fortyeight hours that in this world-encircling conflict Canada is coming more and more into the zone of immediate danger.

The Prime Minister is reported on the same page as having said:

It only goes to bear out what has been said so often that no one can take too seriously both the immediacy and the extent of the danger with which all parts of the world are confronted, and at this time our own part in particular.

That is another opinion which should not be ignored. On June 25 the Minister of Labour (Mr. Mitchell) is reported on page 3682 of *Hansard* as having said:

I believe that steps will have to be taken in the very near future to see that the heavy industries of this country are provided with sufficient men so that we can produce the necessary supplies according to plan. I sometimes wonder whether we have not tried to do too much for a nation the size of ours.

In recent weeks I have received many visits from industrialists who are anxious about the shortage of labour and its effect on war production.

I draw the attention of the house to this statement because I think it is one that should be considered most seriously throughout Canada. I should like to quote another

minister. The Minister of Agriculture (Mr. Gardiner) had this to say on Monday, June 15, as repoorted on page 3324 of *Hansard*:

Under any such provision, if the Japanese were able to force their way to the Alaskan boundary we would have to stop at the Alaskan boundary if our men raised under the act were able to drive them back to that point, and we would not be able to cross the boundary. It will be recognized therefore that some change has to be made in that particular at the present time. As the Prime Minister stated in this house

As the Prime Minister stated in this house it does not necessarily mean that we shall be sending troops overseas immediately. I believe he even went so far as to suggest that it may never become necessary to do so. We shall have powers under the legislation as it will be enlarged to do certain things that must be done immediately, and, on the other 'hand, to give consideration as time passes to the question whether other things should be done. In this regard it was emphasized to the house the other day that it would be inadvisable for this house to have to take action on two different occasions in order to get authority to do these two things, one of which ought to be done immediately, and the other of which may never be required to be done.

I quote the language of the Minister of Agriculture in order to recall to the house that that is the opinion of the first school of thought I have spoken about. They do not believe in conscription for overseas; they admit it might be of no use. The Minister of National Revenue (Mr. Gibson) had this to say on Friday, June 19, as reported on page 3492 of Hansard:

What some people seem to forget is that warfare to-day does not consist of hurling huge masses of men against each other, with the balance in favour of the greatest number. Today war is mechanized, highly technical, and demanding individual initiative in the use of the weapons that are provided. The best weapons in the world will be useless unless the men using them are prepared to use them bravely and intelligently. Under these circumstances it would seem to be obvious that so long as a volunteer force can be maintained in the field it will be a more effective fighting force than one partly or wholly composed of conscripts.

I come now to the opinion expressed by the Minister of Munitions and Supply (Mr. Howe), and I think this also should be considered seriously throughout Canada. He said on Tuesday, June 16, as reported on page 3373 of *Hansard*:

But, as I have already pointed out our manpower pool is not unlimited. We have encountered many shortages as the gap between supply and demand has become narrower. With the additional demands, which are continuous, the gap is constantly narrowing further. It follows therefore that if we are to continue our vast programme of war production and at the same time meet the requirements of the armed services, it is essential that we maintain a sane balance, and that we do not adopt, on emotional rather than on logical grounds, any

Mobilization Act-Mr. Roy

I need not remind you of what has been said throughout the country, or what has appeared in many newspapers and magazines, but I hold in my hand the July issue of *Protestant Action*. I need not quote from it, because if I did so I think it would be harmful to our national unity and our war effort, but I should like to send it to the Prime Minister (Mr. Mackenzie King) and ask him to be good enough to look at it, because it will give him some idea of what is going on in the religious field.

The leader of the Cooperative Commonwealth Federation group (Mr. Coldwell) has well pointed out the weakness of that religious discussion throughout the country. I should like to congratulate the hon, member on the admirable speech he made in the house this morning and on his truly Canadian spirit. I think he spoke as a real democrat, a real Christian and a real Canadian. I should like also to refer to the speech concluded just a few moments ago by the hon. member for Trinity (Mr. Roebuck), which was made in such a sober manner that I think it should be underlined. If all hon. members and others speaking on the question of conscription, or any other matters we have to discuss in this country; if all those who are writing about different matters and public questions, were using calm and sober language, I believe that we could proceed with the discussion of any of our problems, and that our national unity would not suffer at all from such discussions. Unhappily it has not always been that way.

I believe I should say a few more words about the religious fight that is going on just now, because I am wondering where it is going to lead. Another question is to be discussed in a few days, namely, the lifting of the ban against the Communist party, and the establishment of consulates in Canada. Under present circumstances it is most unfortunate that these questions should be brought up. To come down from helping Russia in its struggle against our common enemy, an enemy which is also threatening us, to permitting infiltration into this country of Russia's philosophies and doctrines, is a long step, and we should be very careful in taking it.

The division as to policy in Canada which has existed for a long time has grown worse and worse because of the religious and racial fight which has been carried on for some time in the press and throughout the country. There are many indications that that division exists right in the House of Commons, right in the midst of the cabinet, and on the very question of conscription for overseas service. There seem to be two different schools of thought in the ministry, one of which would [Mr. Roy.] appear to be more Canadian, and would seem to share the opinion that Canada needs all its man-power to take care of her war production and her national defence, which, if I may say so without giving information to the enemy, is very weak or non-existent at the present time.

I should like to quote a few opinions from ministers who hold the first view to which I refer. I quote this from the observations of the Postmaster General (Mr. Mulock) as they are reported at page 3658 of *Hansard*:

I do not think it is. Japan realizes that the final reckoning, no matter what temporary conquests he may make in Asia, will be with the nations of the North American continent and the British empire. It is quite probable that she may try to invade this continent by way of the Aleutian islands and Alaska before we have mobilized our utmost strength. If the Japanese meet with success in the Aleutian islands, and if for the time being the balance of sea-power in the Pacific should shift in their favour, I believe it quite possible that they may make an actual landing in force on the upper western coast, fortify their positions and try to hold that part of this continent until such time as they can bring up additional troops, munitions and supplies of all kinds, in the meantime fortifying their harbours and constructing airports to use in their drive southward along the Pacific coast, west of the Rocky mountains, and protected by them.

Those attacks must be stopped before they reach Canadian territory.

That is the opinion of one of the ministers. On the same page he adds this:

May I make it quite clear that I am not advocating the sending all of our troops overseas; that we would leave our coast lines undefended, or that we should not build up our coastal defences in every possible manner. But the fact remains that we in Canada are going to be in a desperate position if the time ever comes when we must defend this country with the forces that can be raised from eleven and a half millions of people, without help from other members of the United Nations.

On July 6 the Minister of Fisheries (Mr. Michaud), as reported at page 3945 of Hansard, quoted the following from Toronto Saturday Night:

From its inception the war has been hammered home to Canadians as an empire war. We are far less Canadian than we were in 1939. The words "British" and "empire" occur in almost every sentence of the war news and the newscasts. Practically nobody has stressed the fact that this is a Canadian war, which Canadians are fighting in order to save the Canadian way of life for the people of Canada.

At a later point in his speech the minister said:

We have raised an army which is a credit to our country without having recourse to compulsion, and it is my hope and wish that we shall never have to resort to compulsory measures to fill the ranks of our army. Were such a method instituted at the present time, before

world; and when we consider what Canada is doing and what has been done for us over there, to keep the enemy from our shores, we should thank the Almighty that we have had such a country to protect us and permit us to go about our business in the way we have done so far. Let me tell you what the mother country is doing for Canada and the world at the present time. Mr. Lyttelton, the minister of production, in some places met a rather hostile lot of criticism in the press when he came on a recent visit to Washington, where he went on business with Mr. Roosevelt. But he made a radio speech and told the people the truth, and here is what he said about the mother country and what Britain is doing now to save the world and keep the empire together:

We are producing tanks, "jeeps" and other mechanical vehicles at the rate of 257,000 a year. This is an increase of 350 per cent over the rate in the last quarter of 1940.

We are producing 40,000 big guns a year and supplying them with 25,000,000 rounds of ammunition. We are producing millions of small arms each year and supplying them with 2,000,000,000 rounds of ammunition.

We have increased our production of aircraft 100 per cent above the rate achieved during the last quarter of 1940.

We have increased our production of merchant ships by 57 per cent over the last quarter of 1940, even though we thought then that we had reached the limit of our capacity.

He went on to tell listeners that of a population of 33,000,000 between the ages of 14 and 55, some 22,000,000 were either in the armed forces, in industry or in civil defence. Over 50 per cent of the ships which used to bring in food are now directed to supplying allied armies, and every available acre of land has been turned into farm land. Rations are alike for all. In short, he said:

When John Bull wakes up in the morning he finds that the minister of labour has called him up for work in factories, if he isn't fit for military duty. The food minister has taken all variety and spice and most of the volume of his breakfast, lunch and dinner, and the President of the Board of Trade has given him so much and no more clothing. His wife is working in a factory, and the treasury takes his money. War savings absorb his surplus income, which cannot be spent because there is nothing to buy.

We are pouring approximately 60 per cent of our national income into war. There is no "business as usual" in Britain. There is no production as usual in Britain. There is no profit as usual in Britain. We have thrown everything we have into this war, and we will never quit.

That ought to be an example to the people of this country. Why do our nine provinces not pay her tribute?

Mobilization Act-Mr. Roy

I believe this mobilization act will be a flat failure, because it does not commend itself to the wisdom or judgment of the country or of the "yes" voters. During the course of his remarks to-day, the hon. member for Trinity (Mr. Roebuck) said that a few years ago most Canadians took the stand now taken by Quebec. I say that has not been the policy of the Conservative party. Since the days of Sir John A. Macdonald this party has been for the mother country first, last and all the time, in peace and war alike, because when Britain is at war Canada is at war also. That is our policy. This Conservative party has never failed in its duty to the empire and the motherland. We shall never fail as long as we are a party of Canadian citizens owing so much to the mother country. In that one connection alone the hon. member for Trinity is incorrect.

Mr. J. SASSEVILLE ROY (Gaspé): Mr. Speaker, before proceeding with my comments on the situation which has been brought about in this country by this legislation, and its significance to the welfare of Canadians and the prosecution of the war, I should like to inform you of the amendment I intend to propose. I have the honour to move, seconded by the hon. member for Laval-Two Mountains (Mr. Lacombe):

That the word "now" be left out and the words "this day six months" added at the end of the question.

I have several reasons for moving this amendment. I am wondering with great anxiety whether Canada is going to be wrapped up in this whirling world where there is nothing but downfall, destruction, confusion and darkness, or if we are going to escape this dreadful fate. I should like to make a short analysis of the situation with which we are confronted just now.

Canada seems to be very badly divided, and I am wondering what is going to happen if the situation remains as it is or grows worse. The first cause of the division now existing in Canada is fundamental, finding its basis in the ideals held by two definite groups in Canada. One ideal is "Canada first"; the other seems to be best summed up, from what I have heard in this house during the course of this debate, in the words, "I am for the British empire." I believe these two formulas give a perfect picture of the two definite ideals which are held in this country. If the discussion had been kept within the limits of these two ideals, the situation would not be half as bad as it is to-day, but it has gone far beyond these limitations. The issue has become a racial fight; in the last little while it has become an open religious fight.

both before and since, as to duties—considering all these omissions one can only marvel that the popular response has been what it is, and that the confusion was not many times worse.

Many people forget that. As I said before, it is of the greatest importance that there should be no censorship. The people should be told the truth, the whole truth and nothing but the truth of this war, and of the grave peril now facing us. They should be told the facts, and we should build up on the worst of the facts. We have no divine right to win this war. Some think it is going to be an easy task. It is not; it is the most difficult the world ever saw, and the result is yet in the balance.

People forget that great empires do not usually crumble in a stand-up fight. If this empire goes down it will be the end of religion, civilization, and freedom, not only for Canada but for the rest of the world. That was something that our forefathers did not forget, because they read the scriptures. After all, history repeats itself. They knew the bible; they read the classics, and they learned from them how empires come and go. This British empire has gone on for many years. The Roman empire was the greatest the world had ever seen, and ours has been almost a pattern of it. We resemble it in peace and war alike. In that connection that great textbook writer, H. A. L. Fisher, said what is as true to-day in relation to Canada as it was to the fall of Rome:

That great structure was not brought down to the ground by frontal attack, but by a process of infiltration extending over a hundred years.

Infiltration of men and loose thinking at a time when the Romans themselves had given up the will to power. Bryce, in his great work, "The Holy Roman Empire," had described the same decay:

And thus when the final movement came, and the German tribes slowly established themselves through the provinces, they entered not as savage strangers, but as settlers knowing something of the system into which they came.

Bryce also described for us how the latterday Romans paid lip service to the conception of empire, even when the power had dissolved; how the great dominions acknowledged the name of Rome even though Rome had neglected them and even though they had become independent or under the influence of other great powers. In the years before the war we had forgotten the great historian Gibbon, in his chronicle of Rome's ills brought about by disarmament, reliance on the good will of others, weakening of purpose at home, and demoralization of the people by the dole of bread and circuses. [Mr. Church-] That chronicle makes sombre reading at a time like this. Here you have the finest people in the world giving up its armament, reducing its navy, and all that kind of thing. As a result of that disease we have to face a world where you do not know where you are going. We may as well be frank with ourselves regarding the British empire. Remember that we have already made alliances with two other great imperial empires, Russia and the United States. If we fail as an empire-and we are not getting very much support at the present time-do not forget that Britain then and her dominions and also the people of Quebec and the other eight provinces will have nothing to say in connection with the peace terms. Russia and the United States, which like Britain may not be imperialistic in the sense that they want to grab territory, but they are imperial in the true sense of the word, namely, that they want to become world powers, to have a just say in the peace terms and to be a big power in the new world to come. Unless we are attached to this great empire, are we going to have anything to say about the peace terms?

If this empire falls-and we are not a great distance from it at the present time-it will be a very sad day for religion and freedom of speech and thought in every province of the dominion. A great Scot and a great soldier said something about the detractors of the mother country. For the first two years of the war she bore the brunt of the fight alone for civilization and the world. If it had not been for Britain, after Dunkirk we should have the axis forces in this country: not only Canada but the United States would have had to seek peace long ago. Let us remember the lesson of history as pointed out to us by Professor Macneile Dixon, a great Scot like yourself, Mr. Speaker. He said:

Civilizations arise, and continue to exist and all history is witness to the truth—when conditions are hard, only when they are continually threatened, only when they are determined to maintain and defend their rule. They decline and fall when the external pressure is removed, or the inner spirit decays. . . If an individual or a people ceases to believe in itself, its aims and ideals, others with firm aims and beliefs will climb into the saddle. The decline and fall of England, which will rejoice our enemies, will not be England's decline and fall only, but of all for which she stood, and not till then shall we know the extent of our miseries. I, at least, am not of the opinion that humanity, justice, freedom, no, nor Christianity, will be the gainers in that fall.

Those words are true to-day.

In conclusion I want to point out just one or two things. Britain has been attacked and slandered as never before, all over the civilized is an attack on the government. There has been more or less criticism of this bill throughout the country. In Ontario the mobilization act is not equitably enforced. A gentleman named Elliott Little, a controller, acting over the head of parliament, said at a Rotary club luncheon in Ottawa, that he will call up 250,000 men in order to get 25,000 required by the department. What has he to do with the mobilizing of men? Is he a parliament in himself? A black-out is wanted on some of these controls. I submit that there should be a black-out on all these speeches which we are hearing daily all over Canada because they are doing real harm; they are injuring recruiting. They are preventing the Minister of National Defence from doing his duty. There is no equality of treatment. How long will it be before the facts come home to the people? We do not know how close we are to dictatorship here.

So far we have lost the war; we have not gained any victories. The situation is desperate. We have had a string of reverses-Norway, Dunkirk, Greece, Crete, Libya, France, Holland, Belgium, Denmark, Luxemburg, North Africa, Hong Kong, Singapore, the Malay peninsula, Burma, the Dutch East Indies and Pearl Harbour. If that is not enough to make this country war-minded, I am afraid we shall have to wait until the enemy comes up the St. Lawrence river and begins to destroy us. We have no royal or divine right to victory. Ever since this war began Canada has been living in an atmosphere of romance which the government itself has created, because this government has been slow to do anything at all until it has been forced into action by public opinion. We are not war-minded yet, or aware of how close we are to defeat. We are told that plans are now being made in connection with Bill 80: but can anyone tell us, before we are called back to parliament, what the objectives are, and how many men will be obtained? No one can tell us that, because, in my opinion, the government does not govern. It has never governed from the very start of the war. Hon. gentlemen opposite are merely conducting a Liberal war and they will never succeed as long as they do that. They have no policy. no objectives, no strategy. This bill shows that there has been no policy in regard to the raising of men.

As I say, the government waits until it is driven by public opinion to move one step, and this mobilization act is merely a tactical manœuvre that does nothing but embarrass the war effort. There is no such thing as home defence. The countries I have named were looking for home defence, and what happened? They were invaded. What then? The loud-speaker, the gestapo, the whip, the trampling of feet, the concentration camp. If the enemy came up the St. Lawrence they would carry away hundreds of thousands of farmers and citizens of the province of Quebec into Germany as serfs and slaves. If this country is invaded, the people will face a slavery worse than death; yet we sit here day after day doing nothing about it, and seven months is wasted with no results. History will condemn us as facing the worst war of all history, with such a brutal, savage foe, and doing nothing about it.

It is clear from the speeches of the Prime Minister to which I have referred that the bill has been changed so that even the authors do not know it with the new features in speeches read into it. We have spent three months on it and got no result. Why has the army failed?-and in my opinion the army is the most important arm. I do not blame the present minister; he took charge of this department only comparatively recently. In the British House of Commons, soldiers and the finest airmen in the world, members of parliament, admirals of the navy, rise up and discuss in public what is to be done in the war. Everyone in warfare Pitt made mistakes; makes mistakes. Napoleon made mistakes. Is there any government that has not made mistakes in this war? They are making plenty in Washington. But in these countries you can criticize the government; you can disagree with the minister without indulging in any personalities, because he is only an individual. He did not cause the war any more than the leader of the opposition did. In our present leader of the opposition we have a gentleman who in the country at large will in my opinion occupy a very high place, because he has done his duty as he sees it, fearlessly, and is a believer in Britain and her empire.

We are the worst informed people in the world regarding this war, because the people have not been told the facts. That happened away back in 1915 also. I looked up a number of addresses made by a very great soldier, F. S. Oliver, who in 1915 wrote about the duty of any government to let the people know the truth and the facts before it was too late because it would be an aid to recruiting. Here is what he said:

Considering how little, before the war began, our people had been taken into the confidence of successive governments as to the relations of the British empire with the outside world; how little education of opinion there had been as to risks and dangers and means of defence; how little leading and clear guidance

Mobilization Act-Mr. Church

The rules and regulations that will be passed under Bill 80 will be far worse than the bill itself, if we are to judge by such rules and regulations as we have had in the past. Here the government proposes a lottery system, although the criminal code definitely declares that there shall be no lotteries in the country. They are illegal by the code, but the government is going to institute a haphazard method of calling up men. They are going to leave it to chance, like a poker game or horse racing. They are going to allow someone to draw from a hat the men who are to be called up, those who are to render service and to make the sacrifice, while right next door there may be someone else who is not called up and who may not serve at all in a lottery plan-such a farce!

I can tell the government that the people —the "yeś" voters—are very much disappointed throughout the country. I voted "yes" on the plebiscite, but if I had known as much as I know now about this bill I would have voted "no", because I voted on principle. The people are greatly dissatisfied with the way in which the act has been enforced all along and they are dissatisfied with what is proposed in this bill and the if, as and when, and lack of finality. The bill before us was based on the plebiscite. In my opinion that plebiscite should never have been taken. It was simply an afterthought, something forced upon the country. We know what statements were made as far back as 1939.

On March 30, 1939, the Prime Minister (Mr. Mackenzie King) set out, in a debate in which I took part, what he declared was the position of the government in this matter. At that time I was called a Jeremiah because I predicted what would really happen and what in fact has happened. Well, I would much rather be called a Jeremiah than be called Ethelred the Unready. At that time the Prime Minister said that never again would Canada send an expeditionary force across the seas. He said that it was unthinkable that we should be sending a force overseas every twenty years if war broke out in Europe and that the danger to Canada was minor in degree and secondary in origin. In 1940, in the course of a debate in which I participated, the right hon. gentleman said that no conscription for overseas service was the policy of the government. On November 12, 1941, the cry was, "No conscription without consulting the people." On February 23, 1942, it was "No conscription for overseas until voluntary recruiting has failed." Well, voluntary recruiting did fail; it was at its lowest ebb at that time. The Prime Minister said that parliament would decide. Then on June 10 we were given [Mr. Church.]

to understand that conscription might not be necessary—after the plebiscite vote had been taken. Then we have the situation as stated to us on July 7, that it is not conscription but conscription if necessary; and "if, as and when" is read into the statute, although it is not in the statute. Now it is said that there may not be any conscription at all, that parliament will be called again before anything is done.

We have been here since last November and the government has made no real effort to raise men. You cannot fight a war in that way. I said in 1937, 1938 and 1939 that the government was simply waiting until the enemy decided to attack us. I asked then, "Are we to wait until war begins and until the enemy sails up the St. Lawrence, or comes on land, sea and in the air, and seizes the citadel and proceeds to destroy us?" I can say to the people of Quebec, and I have been friendly to them for many years, that they have been the victims of politicians ever since the South African war, and indeed before that time. They have not been given the facts, I see many able members on the government benches and I think they will agree with me that it would have been far better if they had disclosed all the facts to the people and simply told the truth. Truth seems to be the first casualty in this war, and self-respect is the first victim of neutrality. I am very much disappointed with Bill No. 80, and I doubt that much will be done by this government to get men under it. We have heard it said in this house in the past few days that we are not to criticize the government. We must not have any inquests, postmortems, or recriminations, and even constructive criticism is not wanted, because it is regarded as an attack on the government. But that is not so. Suppose the people in the old country took the same view of the constructive criticisms that have been given by nearly 137 members of the British House of Commons from the first of July on. Why, there would be no improvement whatever in the war effort. But it is not so, and constructive criticism is not intended to be an attack on the government. If we are to accept that principle, then this house, and the opposition especially, will cease to perform its parliamentary functions and parliamentary government will be at an end.

I do not want to see parliament lose the technique of an effective opposition, or of constructive criticism, but something is certainly wrong with the way in which the government is carrying on the war effort. There is something wrong when experienced ministers and members express alarm at the state of affairs and are told that criticism of this kind

the hands of our government as rapidly as possible, but I wish it to be understood that I am not taking the power away from parliament and putting it in the hands of the executive with any idea of delay. This action is being taken by those who agree with me, not for inaction but for action. I hope to see the government of Canada adopt a complete, genuine measure of compulsory selective service at a very early day, as soon as is reasonably possible.

Mr. McGARRY: May I ask the hon. gentleman whether conscription of wealth is included in the United States draft law?

Mr. ROEBUCK: The hon. member asks me whether conscription of wealth has been included in the law of the United States in association with the draft system, and the answer is no.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I wish for a few moments only this afternoon to discuss certain features of Bill 80 as they apply to the conduct of the war and the objectives of the government during this, the most fateful year in the history of civilization.

Every day, every minute, every hour brings us in Canada closer to the war, not only on our back and side doors but on the Pacific and the Atlantic, and especially in the good province of Quebec, which is in a most dangerous position. Our session here has lasted nearly seven months, including last November, and the main part of the time has been taken up with only secondary matters, because the war is primary, nothing else matters unless we win. We of the house are supposed to be together for war. Everybody should forget the party system. We are not here to advance, during the war, any of those doctrines in domestic matters which might at another time be important.

Now what have we regarding this so-called mobilization act? The government is back to where it started. It has no system; it never had any system since the war started so far as the army is concerned. I do not like to hear some hon. gentlemen blaming those who are in control, because that is not the way they proceed in England. In England they can criticize policies without indulging in attacks upon individuals. I received this morning from a friend in the House of Commons, London, a copy of the British Hansard for the three days' public debate on the war, which contains as much in a day as all our Hansard in a week. You find there, rising in their places on the government benches, men who are home for a week's leave, members who have been on the ocean, commanders, admirals, major-generals, all men serving in the war. What do they do? They tell the government in what respects they think the government is wrong, and ask it for a total war effort, and attack in public the conduct of the war without offence to anyone, or any objection.

This bill, before it can function, must overcome an antiquated circuitous mobilization system which we should never have had. We made our mistakes right at the beginning of the war, by starting to mobilize men in a circuitous fashion. In this bill there is no such thing as equality of service or equality of sacrifice. The people back home in the constituencies are very much disappointed with the stand which the government has taken on this question. It is all topsy-turvy, with changes every week-end; it is a case of here to-day and away to-morrow. We started off in connection with this bill by proposing a certain policy. If from the start the voluntary system had had a chance, with some of the money which is now being spent, \$4,000,000 a day, and is expected to rise to \$10,000,000 a day-I say that if one iota of this money had been spent properly the government would have had all the men it wanted. But they allowed volunteer recruiting to dry up as the first and second year's men were not wanted with the result that the people have got tired of the system.

The province from which I come is important to the dominion from a recruitment point of view. The old province of Ontario seems to have been singled out unfavourably by those who have administered this act, although I do not say it was done designedly, and our youth have been sent right across Canada from Vancouver to Halifax, when they could have taken all their training and received all their education at home. Take the case of my own constituency, which, by the way, has done better, proportionate to its population of 60,000, than any other riding I know of. When one goes up the street one finds that all its young people have gone to war under the voluntary system. Elsewhere we find others who can go before the boards which are operating all over the country and get off, and some get a commission in a day. I would never put a judge on one of these exemption boards; that is where a mistake was made to begin with. They should leave the judges to perform their proper functions. Some men are getting exemptions while others cannot get it so that the whole system is unfair, unjust and inequitable. There is no such thing as equality of service or of sacrifice. If there were no one would complain.

of selective service is better than the voluntary system. It is a fairer and more effective system, and I have come to think that perhaps in the end it is kinder than the voluntary system with which we have had so much experience.

There are special circumstances which have intervened to delay the recognition of these facts in some portions of the province of Quebec. I pause to say that this is not to be interpreted as meaning that the province of Quebec or any portion of it is inferior to the rest of Canada in its love for Canada, in its hatred of conquest and oppression and in its determination and courage to fight for the defence of Canada whenever Canada is attacked. I pay that tribute to the province of Quebec.

But this is a democratic country. We in this chamber may differ on many subjects, but I hope we do not differ on the fundamental principle of the sovereignty of the majority in a democracy. When the people speak and their speech is carried into effect in accordance with our constitutional methods-for instance. a bill passed in this house-then the rights of the minority merge with the rights of the majority. It is true that the rights of the minority should be respected-but once a measure has passed into law in this country, the minority submits. We all obey the law. I suggest that this will be the attitude of the province of Quebec, of all sections of that province, on this as it has been on all other occasions. If the government, so soon as this power is placed in its hands, will proceed courageously to do the things which will benefit the war effort, the people of the province of Quebec will show what good Canadians they are. Many of us may be surprised at the way in which they will join with the rest of Canada. at how they will show themselves to be Canadians, ready to observe the law as it is, although they have opposed and criticized and denounced it in advance.

There has been comparatively little said during this debate from the English standpoint as compared with the oratory of the French Canadians. But I honour you gentlemen for that. You have been doing your duty in opposing this measure; you have done it vigorously; you have done it eloquently and you have done it well; but once the measure has been passed by this parliament of Canada then remember you are Canadians. The principle changes, and I take it that you will observe the law as it stands.

My submission is that if the government will take the nettle firmly in the hand there will be little trouble. It should take the action

[Mr. Roebuck.]

that is demanded by the circumstances. If it will adopt a system which meets with the approval of the vast majority of the people, it will do a great service to the people of this country.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. ROEBUCK: There is very little that I wish to add to what I have already said on this question, because it is not my intention to attempt to review the arguments pro and con with regard to conscription—they are age-old arguments now. But there is one point in connection with one of the newer aspects of the problem to which I would like to call attention.

Canada's relations with our great neighbour to the south are of vast importance, not only to Canada herself but to the world. Now the United States is democratically regimenting its people for war and it has adopted a complete system of compulsory selective service. It is most important, I submit, that Canada should line up with these people in appearance as well as in fact, and I submit that this can never be quite so while they have a compulsory draft system and we have not. It is true that the size of our army is greater than theirs on a percentage basis, and it is equally true that our production of armaments and of supplies to Great Britain and our other allies bears at least favourable comparison with that of any other nation on the allied side. We have been engaged in this war for very nearly three years, and the United States has been formally engaged for a period of only about seven months. There are arguments aplenty to justify our position, but, Mr. Speaker, arguments fall on deaf ears when there is some division of the common effort in which we appear to hold back. If we are to march in unison with our great neighbours to the south it is essential that we should adopt the same measure of step. These good reasons-our relations with our neighbours to the south, our position in the allied camp, the credit which we may receive from other nations, our allies and othersjustify the people of Canada and the government of Canada adopting without further delay a complete system somewhat similar to that in effect in these other countriesa complete, compulsory, systematic selective service as a method of recruitment.

I am going to vote on the third reading of this bill as I did on the second reading. I approve the bill. I hope to see power go into probably bring about unity rather than disunity. Therefore I urge upon the government, as soon as this bill has been passed, that it adopt, by such methods as are in its hands, a complete and full system of compulsory selective service. I think that it is approved by the people generally in Canada not all of Canada, it is true, but by the great majority in Canada. I should like to see the government abolish the limitations upon the service to be obtained from those at present us have one army, one cause, and let us proceed to one victory.

Recently in the house the hon. member for St. James (Mr. Durocher) quoted a statement I had made some time previously in which I had said that I conceived it the duty of a member of parliament to represent in the house the wishes of his constituency. And therefore, and for other reasons, I advocated at that time what I am expressing more fully now. The hon. member said I had inadvertently expressed a principle as useful to those who came from constituencies which voted "no" in the plebiscite as to those from constituencies which voted "yes". There was nothing at all inadvertent about my statement. The principle I then tried to make clear applies with equal force to you, my fellow members, who came from constituencies which voted "no" as to me, from a constituency which voted so overwhelmingly "yes". I conceive it to be the duty of a member

of parliament to be the duty of a member of parliament to obey the will of his electors. If we do that, we then hold parliament up as a mirror to the country. The will of the majority just naturally prevails. We shall all have done our duty, and, in this instance at least, progress will result.

Burke has been quoted as the authority that a member should do as he pleases, irrespective of the wishes of his constituency. Some hon. member says "hear, hear," but I for one am not prepared to follow Edmund Burke as an authority on democracy. Edmund Burke entered the British House of Commons in 1765 by grace of Lord Rockingham, who was at that time head of the whig landlord party in England. He entered parliament for the pocket constituency of Wendover, controlledabsolutely controlled-by Lord Verney. That is, he represented a rotten borough. While in the house-and I say this to his honour-he championed the rights of the American colonies, and in so doing won the approval of the commercial interests of the city of Bristol. At the following general election the people of that city did Edmund Burke the honour of electing him to the house from a real constituency. It was after his election, not 44561-2903

before, that Burke laid down the principle which has been quoted so frequently in succeeding years, the principle that the member is not a representative or a delegate from his constituency, but is there by some right to exercise his own good judgment. Then Burke proceeded to put his ideas into effect in practice as well as in precept.

Perhaps hon. members may be interested in knowing what happened to Burke. Well, he escaped defeat in the city of Bristol at the next general election by withdrawing from the contest. He proceeded to secure representation in another rotten borough. I am not likely to follow Burke as an authority on democracy. I look upon myself as a servant of my constituency; I am not its master.

While I am on this point let me say a word to my fellow-members who are French Canadians. I think I understand the attitude of the province of Quebec in connection with the question now before the house. I sympathize with hon. members in their difficulties, but they are not the only ones with difficulties. I think I can understand the attitude of a large section of the province of Quebec. In my judgment, that attitude is not vastly different from what was the attitude of all Canada only a few short years ago, say before the sending of a contingent to South Africa. There was a time when practically all, not all, but practically all Canadians were opposed to Canada becoming involved in non-Canadian wars. We disapproved in those days, and perhaps some of us do to-day, of the petty nationalism of Europe. We held in contempt the conscript armies of Europe. We admired the free armies of Great Britain.

At that time Canada was engaged in carrying on her own business. We were clearing the farms, we were building highways and railroads, we were building great cities, we were constructing a Canada. That was our destiny at that time. As a boy I remember the indignation with which a farmer neighbour of ours referred to the movement which he said was intended to "make soldiers of our boys." Much has happened since those days. There has been a development of public opinion in this country. We have all changed: We Canadians have been driven from that position by the irresistible logic of world events.

I think I have been a consistent Liberal; at all events I have been an enthusiastic and determined Liberal. But even I, in company with many another, the British of Great Britain and the Americans of the United States, have come to the conclusion that a well devised and reasonably enforced system

Mobilization Act—Mr. Roebuck

Mr. A. W. ROEBUCK (Trinity): Mr. Speaker, I would hesitate to enter again upon a discussion of the problem that is before us on the third reading of this bill if I thought it would lead to a general debate and a repetition of the arguments we have heard already, pro and con. But I call Your Honour's attention to the fact that I did not complete my address on the second reading of the bill, not because of any discourtesy but perhaps, shall I say, a want of courtesy or lack of courtesy extended to me on that occasion. Therefore I feel there are things I wish to say, which it is my duty to say, and which I beg the indulgence of the house to permit me to say now.

The hon. member for Rosetown-Biggar (Mr. Coldwell) has just said that the world situation demands action on our part. With that statement I agree. Then he added that in this bill we should not hand over to the government power to take the steps proposed, but rather that these matters should be brought to the floor of the house in detail so that every phase may be examined and passed upon by this house, and that, in addition, there should be joined to the conscription measure a further measure providing for the conscription of wealth. He seemed to object to the passing of conscription until he is satisfied upon all points of the financial programme of the present government. Well, it does seem to me that a procedure such as that suggested by the leader of the Cooperative Commonwealth Federation would hardly be in keeping with his statement that world affairs demand action; because were we to follow out that programme I do not know when we would be through with this measure.

I sympathize with the leader of the Cooperative Commonwealth Federation in his protest against extravagant attacks made as a result of the actions of himself and others in this house. The use of violence in language will not get us far in Canada; and the imputing of false motives to members of this house leads to confusion rather than to clear thinking. I join in his protest against the calling of names against those with whom we disagree. But perhaps I may comfort the leader of that party with just a word from Mother Goose. The old lady said that "sticks and stones will break your bones, but names will never hurt you." We can therefore pass statements of that kind, and perhaps the least said the better.

The very purpose of this bill is to give into the hands of the government the power to bring in a conscriptive measure in this country. The principle has been laid down by the Prime Minister (Mr. Mackenzie King): "not necessarily conscription, but conscription

[Mr. Speaker.]

when necessary". With that principle I agree. I have always agreed to it. That is the stand I took in 1917, in the general election of that time, when I was a candidate supporting Sir Wilfrid Laurier. But the statement of principle still leaves open for consideration and decision the further question as to those conditions which will make necessary the passing of conscription. And I do not agree with the test that has been laid down. It is intimated that the one and only test of the necessity for the introduction of a selective service compulsory system is that the voluntary system has failed to produce either an arbitrary quota or sufficient men to provide reinforcements upon some formula that may be devised.

That is not the only test, and I submit to my fellow members in the house and to you, Mr. Speaker, that it is not the best test. Were we to wait until voluntary enlistment has failed we should be waiting on failure; we should be adopting a policy of defeat, a most inadvisable thing to do. Were we to wait until we could no longer secure men by voluntary enlistment for our forces, and then introduce a measure of conscription, we should make it assured that we would have from that time forward a full complement of unwilling men. And by doing so we should probably lay the foundation of failure, and we should certainly encourage the failure of the system which we might then adopt.

I submit it would be a terrible blow to Canadian morale and to the prestige of Canada were we publicly to admit that our young men will no longer voluntarily join our armed forces, and that it has been necessary for us to adopt some form of compulsion in order to induce our young men of soldier age and qualifications to maintain our army abroad. That would be a jar to the credit, morale and reputation of Canada.

In my opinion there is more in a compulsory selective draft system than the compulsion. There is the machinery provided for the selection of men who should go, and, almost as important as that, there is machinery for the selection of the men who should not go. I fancy that one is almost as important as the other. At the present time there are young men who are struggling with their consciences, wondering whether it is their duty to enlist, arguing about it and so on, young men who are perhaps being insulted by their neighbours for not enlisting, who, in the very nature of things, should not enlist. A general, complete system of selection would relieve those who should not go, as well as give a definite invitation to those who should go, and I think in that way would

prejudices—that I would rather go down to defeat than achieve victory in this province or elsewhere on the basis of race and religious prejudice. I say that again now.

Mr. GARDINER: May I ask a question? Mr. COLDWELL: Yes.

Mr. GARDINER: Will not the hon. gentleman admit that on one occasion I did go down to defeat in opposition to that kind of campaign?

Mr. COLDWELL: Yes, I will give the Minister of Agriculture credit for that.

Mr. McNIVEN: And the Liberal party.

Mr. COLDWELL: But I just want to point out that apparently among his followers in western Canada and the newspapers which support or have supported him, there is a fundamental change. And I will tell you why; because the Cooperative Commonwealth Federation is a growing power in the west. They have tried during recent years to throw Russia at us. We have never had any association with the Communist party. Those who know me know that the Communist party had no use for me, because I have never tolerated their philosophy or their methods, and I do not intend to do so. To-day the Russian people are putting up a magnificent resistance. Russia is no longer a bogey, so that these people, some of whom have maintained power by various methods, by playing one end of the country against the other, now must find a new bogey. That new bogey, in the English-speaking part of Canada, is Quebec Catholic isolationism. That is what they are doing, and I say that so far as we are concerned we will have no part in it. I venture to suggest that those who are writing these stories know differently, that those who are writing these stories know perfectly well that I have sought no support from any member of this house representing the province of Quebec or any other province, and that members of this house have not sought my support, whether they come from the province of Quebec or any other province, on any understanding whatsoever. I venture to say that those who are writing these stories know this statement to be true. I try and have tried to be honourable in this house and elsewhere in my dealings with the public. My sincerity has been questioned. Well, I will let my record throughout the long years stand as a test of sincerity.

So I say, Mr. Speaker, that we believe this war demands a total mobilization of all our resources, and until we have that total mobilization of all our resources we have no right to take the lives of our young men alone. But if we take all our resources, then we have . 44561-290 that right. I want to make that position plain, and for that reason I have made these few remarks on that score, and I would add a word to those newspapers with which I have disagreed but which I have always respected. I have respected the Manitoba Free Press. I get the Regina Leader-Post every day and enjoy reading it, and hitherto I have had nothing but fair treatment from the Saskatoon newspaper. But just let me say to them and those who write for them, that they are placing their feet upon a slippery road when they try to raise this question anew in Canada. We have seen this country bedevilled by a lack of national unity. We have seen this country bedevilled by religious and racial prejudices, and here we are in the middle of a war, with a group of newspapers that ought to know better and ought to have some sense of responsibility, deliberately stating that which is untrue in order to further the interests of those whom they believe they are supporting. With that, Mr. Speaker, I leave our record in this matter to the judgment of this house and the judgment of this country.

Mr. SPEAKER: The amendment moved by the hon. member for Laval-Two Mountains (Mr. Lacombe) reads as follows:

That the said bill be not now read a third time, but that it be referred back to the committee of the whole with instruction that they have power to amend it by allowing a full exemption to farmers' and fishermen's sons as well as persons employed in agriculture and the fishing industry.

I find that on February 19, as reported on page 722 of *Hansard*, an amendment was moved by the hon. member for Quebec-Montmorency (Mr. LaCroix), which reads as follows:

That all the words after "this house regrets that Your Excellency's advisers" in the amendment, be deleted and the following substituted therefor:

"(a) did not deem it proper to advise Your Excellency that the government should adhere to its commitments and the terms of its mandate against conscription for overseas service which it received from the people of Canada at the general elections held on March 26, 1940;

(b) that the farmers, farm employees, fishermen, fisheries employees and all persons engaged in industries connected with agriculture or with war industries, should be exempt from military service."

In other words the amendment then voted upon and negatived by a division of the house was exactly the same amendment as the one now moved. I refer to citation 403 of Beauchesne, which reads:

An amendment once negatived by the house cannot be proposed a second time.

As a result, I rule the amendment out of order.

Mobilization Act-Mr. Coldwell

We voted against the second reading of the government's bill on the ground I have stated. We supported the budget, it is true, in spite of our dislike of some of its features. We supported that budget because in this war we have never denied at any time the funds that the government needed to carry on the war.

May I say that I resent the kind of campaign that is being carried on by Liberal papers in western Canada, not only against this group but against all those who for various reasons sought to oppose this measure. I have here a copy of the Edmonton *Bulletin* of July 8. I am advised by legal men that if we wished we could bring suit against this paper for libel. It is a distinct libel on parliament. The heading of a front page editorial is, "Fifty-four were traitors." Then it goes on to say:

When second reading of the bill to amend the National Resources Mobilization Act—an amendment to permit the conscription of Canadian man-power for conscription overseas—was passed in the House of Commons last night, forty-six Quebec Liberals, two Quebec Independents and six C.C.F. members voted against it. It is hard to believe that there are that many traitors in the country.

traitors in the country.

And the editorial ends up with these words: All this constitutes treason. And they are traitors.

The Edmonton *Bulletin* is a Liberal paper, and that is the kind of editorial that the Liberal papers are putting across western Canada to-day.

When we turn to some of the other Liberal papers, we find for example the Regina Leader-Post, which describes our vote with the Quebec members by using the expression, "the C.C.F. and pea-soup,"—employing any term which they thought would raise prejudice against people who come from another province and with whom we happened to vote on this occasion. The Prime Minister, who has led the Liberal party through these years, has always professed to be anxious to promote national unity. The men who have followed the Prime Minister in western Canada, the papers that have supported him faithfully all through these years, are to-day endeavouring to destroy national unity. They realize, as I realize-

Mr. GARDINER: May I ask the hon. member a question? Is he suggesting that Charlie Campbell's papers have always supported the leaders of the Liberal party in the west?

Mr. COLDWELL: No; I am not, because Mr. Campbell has operated papers in two provinces, papers with different political affiliations. He loops the loop too, when it suits [Mr. Coldwell.] him. But the papers to which I have referred, the Regina *Leader-Post*, and the Saskatoon *Star-Phoenix*, which I am just about to quote, have been the most consistent supporters of the Minister of Agriculture, of the Prime Minister and of the Liberal party that we have in Canada.

What does the Star-Phoenix say? In its issue of Saturday last, July 18, it discusses the secret session. Hon. members know that on many occasions I urged the holding of a secret session before the hon. member for Gaspé asked for it in connection with the St. Lawrence situation. I had already asked that before the house adjourned we have a secret session to discuss the war situation generally. I am not going to divulge anything which took place in the secret session, but I can say that the discussion was not confined to the St. Lawrence basin or to the defence of our eastern shores. Yet because I joined in asking for that secret session, following the request of the hon. member for Gaspé, a request joined in also by the leader of the opposition, the Saskatoon Star-Phoenix said:

A second interesting point is that Mr. Coldwell, C.C.F. leader, while admitting he did not know much about the St. Lawrence, nevertheless lined himself up with Mr. Roy. It may be remembered that Mr. Coldwell and his C.C.F. members, a few weeks ago, voted with the Quebec anti-conscriptionists and antiwar members against conscription of men. Here quite evidently is another turn in C.C.F. policy, a turn which lines them up with the Quebec anti-conscriptionists, isolationists, and anti-British group.

In the neighbouring column of the same edition we have another statement. The hon. member for Weyburn (Mr. Douglas) had made a speech on this matter in Saskatoon, and this is the comment of the Liberal Saskatoon Star-Phoenix:

Unfortunately Mr. Douglas did not clarify this contradiction in policy or explain the new brotherhood of C.C.F. and Quebec Catholic isolationism.

So we see that the Liberal party in western Canada is not only going to try to arouse antipathies on the basis of the war, but is going to do again what has been done before to the bedevilment of this country-raise the religious issue as well in opposition to us. And say this-the Minister of Agriculture must know it-that nine years ago, to this very day, I believe, shortly after the manifesto of our Cooperative Commonwealth Federation had been adopted by the national convention in Regina, I addressed a public meeting there. I was then the provincial leader of the movement. Among other things I said-because we had had a terrible experience in our province in the raising of racial and religious

because they lacked food and munitions. Would we be foolish enough to organize the defeat of our armies by ruining agriculture?

Let us not forget that our agricultural production received a severe blow last year. It was reduced by approximately 38 per cent. In all the provinces many old or sick farmers had to abandon farming because compulsory military training deprived them of the necessary labour to operate their farms. How many dairy herds were led to the abattoir because of the want of foresight and of the disastrous policy of the government with regard to agriculture, which I have so often condemned in this house? The beef situation, the rationing of butter, and all similar restrictions, could be easily avoided if the government would for one moment have regard to the misfortunes of agriculture and give back to the land the farm hands who are so necessary to its operation.

I desire to move, seconded by the hon. member for Gaspé (Mr. Roy):

That the said bill be not now read a third time, but that it be referred back to the committee of the whole with instruction that they have power to amend it by allowing a full exemption to farmers' and fishermen's sons as well as persons employed in agriculture and the fishing industry.

Mr. M. J. COLDWELL (Rosetown-Biggar): I regret very much that at this stage of the session it is necessary for one to be in several places at once, as it were, so that it has been impossible for me to follow the debates in the house during the past few days. Even now there are members, including myself, who should be attending a meeting of an important committee which is reaching the report stage. However, I wish to say a few words before the bill is voted upon.

I believe we made our position abundantly clear on the second reading of the bill on July 7. I stated then, and I repeat now, that the grave war situation which faces the United Nations requires action and not further delay; that this house has the responsibility, to the country and to the people who sent members here to take all the decisions that may be necessary to safeguard the nation and to promote the common cause in which we are engaged, and that the house ought not to evade its responsibilities by allowing the government to adopt any measures without its approval, scrutiny and consent. To act otherwise and by order in council is in my opinion against all the democratic procedure which a democratic parliament should follow.

We have said too, ever since the war began, that if and when we had conscription it should involve not only the conscription of manpower for service in this war, but the conscription of industry and wealth on the same terms, on the same basis, and at the same time as it was proposed to conscript manpower for any of our war purposes. The amendment proposed by the bill provides only that the government now shall have the power to conscript men for service overseas. Had the government in the months that have gone by used the mobilization act, which is on the statute book, to conscript industry and wealth on the same basis as men have already been conscripted in this war, the situation from our point of view would have been entirely different from what it is at the present time. This bill merely delays decision on the important question now before the country and before us. The leader of the opposition (Mr. Hanson), following the address of the Prime Minister (Mr. Mackenzie King) immediately before the vote on the second reading was taken, said that the government had looped the loop three times. I think that statement was correct. But the thing that surprised me was that the official opposition had looped the loop with the government an equal number of times by voting with it.

Every phase of the regulations made under this bill ought to be placed before the house. Instead of a bill of this description, amending the mobilization act, we should have before us a measure which we could discuss and consider and criticize. We know perfectly well that there has been no uniformity in the enforcement of the National Resources Mobi-We know lization Act across the country. that in Saskatchewan, for example, as I have said before, certain interpretations have been given by the board in that province which differ radically from interpretations given in other provinces. If we are to have equality of sacrifice, then we ought to have uniformity of enforcement in order to achieve some measure of equality. Therefore I say also that industry and wealth ought to be treated in exactly the same manner as we are treating man-power.

It has been said, of course, that the budget is conscription of industry and wealth. Is it? Look into the budget. We tried to amend it recently so that the excess profits tax would be 100 per cent. To-day 20 per cent is refundable; 20 per cent may be used by industry when this war is over as deferred dividends. There is no conscription of profits, even in the budget. Although in some respects it moves in the right direction, as I said in the budget debate its incidence is particularly heavy at the bottom; it is heavy in the middle brackets, but as you move upward the percentage of incidence of taxation grows less. By no stretch of the imagination can that be called conscription of either industry or wealth.

Mobilization Act-Mr. Lacombe

refrain from sacrificing uselessly any of our national resources. The future will prove that we are justified, at this very grave moment, in requesting an exclusively Canadian policy. Before all, we must endeavour to live through this tremendous disaster which has fallen upon the world. We shall not attain this end if we weaken our own defence with conscription for overseas service.

Speaking in this house on July 24, 1917, Sir Wilfrid Laurier made the following statements—*Hansard*, pages 3727 and 3729:

I have my views upon conscription. They have not changed. It is not a pleasure for me to find myself at variance with so many of the friends I have around me; but I thought and still believe that a measure of conscription, under the circumstances, was an apple of discord, and I could not accept it. That is all I have to say upon that point.

cord, and I could not accept it. That is an I have to say upon that point. But I may be asked: what is your policy; it is not sufficient for the opposition to say "nay" to any proposition, what is your policy? Sir, I laid my policy before parliament upon the second reading of the bill. I asked that a referendum should be had and the judgment of the people taken upon this question. . . . But when the conscription measure was proposed I had to oppose it, and why? Because, presented as it had been presented, before the country, it had been made an instrument of coercion.

It is a denial of those principles of democracy which we hold dear and sacred. I oppose this bill because it has in it the seeds of discord and disunion; because it is an obstacle and a bar to that union of heart and soul without which it is impossible to hope that this confederation will attain the aims and ends that were had in view when confederation was effected. Sir, all my life I have fought coercion; all my life I have promoted union; and the inspiration which led me to that course shall be my guide at all times, so long as there is a breath left in my body.

The inspiration, sir, which led Sir Wilfrid Laurier to that course should be the guide of his successor, the present Prime Minister.

The results of the plebiscite held on April 27 last are not at all conclusive. The government must have a very clear and precise mandate to propose such an exceedingly serious measure. It lacks the mandate to do so. The question, "Are you in favour of or against conscription?" has never been asked of the people of Canada. Sir, we want no more hypocrisy. We are fighting to preserve whatever good and praiseworthy elements are still left in democracy. According to the very words of Laurier, we are fighting to maintain government of the people, for the people and by the people.

Why not be loyal, honest and frank with the people? Why not frankly tell the electorate what we intend to do? The tremendous sacrifices of the population of Canada in the war effort deserve something more noble than electoral pledges, corruption and lies.

[Mr. Lacombe.]

Why repeal section 3 of the mobilization act? Is it because Canada has not fulfilled its duty, all its duty, in this war? Absolutely not. Canada's population is only 11,500,000. In spite of its small population our country has organized eight divisions. Over 130,000 men are in the Canadian air force, and more than 33,000 men in the Canadian navy. The Canadian navy has convoyed more than 9,000 ships, and Canada has overseas a well-trained and fully equipped Canadian army. Who believes that Canada has failed in its duty in this war, when the Canadian air force and the Canadian navy are fighting on all fronts in the world? Who will assert that Canada is doing nothing for the prosecution of the war, when the Canadian people pay a tremendous income tax and are sending gifts of munitions, foodstuffs and billions to England?

It is a tragic joke to hear these extremists asserting, in order to serve better their conscriptionist feelings, that Canada has not fulfilled its duty. I protest as firmly as I can against such cynical statements from those who believe that Canada must ruin its own defence, all its natural resources, all its income, all its farming community, in these extremely serious times. All the sacrifices made by the people of Canada in this war constitute a solemn assertion that our population does not require conscription to fulfil its duty and all its duty. Conscription will ruin not only the defence of Canada but also the magnificent war effort of our country. Conscription will be a disgrace, a downfall, considering the most generous help which this country is giving to the united nations.

We are still asking, Mr. Speaker, that farmers, farmers' sons and fishermen be exempted from military training. I need not recall to this house all the arguments I have advanced to this effect. Food production in Canada has decreased to such an extent that all kinds of restrictions are imminent. In a country like ours it would be absurd to ration farm produce. The food required by our armed forces and our civilian population should and will remain plentiful in Canada. Our immense natural wealth is hardly developed. Cultivated lands represent but a very small part of our national domain. How can we explain, then. that the government will not adopt the strong measures which alone will enable our farmers. farmers' sons and farm hands to return to the land? By all means we must keep our army and civilian population from starvation. We must prevent rationing, which necessarily engenders anaemia and apathy, the diseases which are the source of all weakness and which defeated the nations that are now dominated by the axis powers. They were subdued

The idea that every twenty years this country should automatically and as a matter of course take part in a war overseas for democracy or self-determination of other small nations, that a country which has all it can do to run itself should feel called upon to save, periodically, a continent that cannot run itself, and to these ends risk the lives of its people, risk bankruptcy and political disunion, seems to many a nightmare and sheer madness.

I never used such language. Although I have never boasted of it, I should like to refer to an honour which was paid me, one that I prize very highly. It is a letter which I received from the Imperial Veterans' Corps in Ontario precisely at the time the Prime Minister complained that we were obstructing to an extent injurious to the defence of Canada. This letter is written on the letterhead of the Imperial Veterans' Corps in Ontario. It is dated Toronto, March 10, 1937, and reads:

J. F. Pouliot, Esq., M.P.,

Ottawa, Ont.

Dear Sir:

Referring to an article in the press recently reporting your comments regarding honorary colonels in the Canadian army, I am glad to convey to you the approval of the members of this organization, who at a general meeting went on record as being opposed to honorary colonels in the armies, as it was unjust to men who gave their all to the empire during the years 1914-18. The meeting commended you for your action.

I am, sir,

Yours respectfully, Arthur F. Wright, Secretary.

This incident was reported in the Toronto *Telegram* as follows:

Corps Opposed Honorary Rank for Canadians. Forty new Members Join Imperial Veterans' Corps at Fourth Battalion Club.

Imperial Veterans' Corps, meeting at the fourth battalion club, Yonge and Queen streets, went on record as being opposed to honorary colonels in the armies in Canada.

Presided over by the president, J. Gibson, 40 new members were initiated into the corps, with past president Eric McLellan officiating. The new members were welcomed into the association by the president.

J. Lees, representing the federation of ex-service men, gave an interesting address after which a vote was taken and carried that the imperial veterans affiliate with the federation.

imperial veterans affiliate with the terms of the soldiers", referring to the quotations of Hon. Mr. Pouliot, Liberal member from Quebee, in regard to honorary colonels in the armies. Mr. Pendock was of the opinion that "honorary colonels not only did have a demoralizing and degrading effect on Canadian armies, but are unjust to the men who gave their all to the empire in 1914 and 1918."

When a motion was passed that a letter be sent to Mr. Pouliot commending him for his attitude, the crowd roared approval. To conclude, I regret very much that those who are in favour of conscription for overseas appear to be suffering from a disease which is described medically as follows:

Presbyopia—an imperfection of vision in which near objects are seen less distinctly than those at a distance.

Mr. LIGUORI LACOMBE (Laval-Two Mountains): The bill for conscription has reached its final stage. It is now up for third reading. At this decisive moment we are still standing up to fight it. Many times in this house and at public meetings I have asserted that as long as I lived I would oppose this disastrous bill for conscription. I shall not fail in my task. I do not care about the attacks and treachery of those who should be the first ones to support us. Before history and the country they must bear the responsibility of their hesitation.

On July 7 the Prime Minister (Mr. Mackenzie King) asserted that he did not intend to allow another debate on conscription should he decide to call the members together to ask for a vote of confidence. I protest against these tactics. They are worthy of a dictator. I protest with the same energy as that with which Laurier protested when he opposed prorogation and the gag applied by Borden in this house in 1917.

The Prime Minister and this government can no longer be called Liberal, because every day they are getting farther away from Laurier's doctrines and are trampling upon the principles which he defended during his whole life. On several occasions I have warned the government against its negligence in protecting Canada and its eagerness to adopt an external policy which would prove disastrous for the defence of our own country. Instead of establishing conscription, could the government not fulfil its first duty towards Canada, that is, to protect our shores and our territory? Otherwise it will be responsible for abandoning Canada to the enemy. The government is now in possession, since the secret session, of precious information concerning the defence of Canada. When the enemy is really at our door, we must organize, before all, the defence of our country. We must not sacrifice elsewhere anything which may be necessary for the protection of Canadian territory. Why was defeat brought down upon the conquered. countries? If we study the misfortunes of most of our allies we shall find that the main cause of their defeat was a lack of wellorganized resistance against the enemy. The fate of every country subdued by the enemy will exemplify this statement. That is why it is the first duty of the government to organize the defence of Canada and to

Mr. POULIOT: I will send the clipping to the minister.

Mr. RALSTON: I said Pearl Harbour.

Mr. POULIOT: This is the extract:

Defence Minister Ralston gave the House of Commons word late yesterday that the Japanese have made only one actual attack on the United States naval base at Dutch harbour, Alaska, correcting information he gave the chamber earlier that there apparently had been three.

I do not need to quote more. I shall give this to the Minister of National Defence. He may be kept busy reading it, and it will be good for him.

Then, there is another argument—Oh, he will not read it. I am not surprised. He will not learn anything. There is another reason given by the government to persuade the Canadian people that we must have enlistment for overseas service. They say they have private information. What is the use of having diplomatic envoys in all the countries of the world when they are not better informed?

During the special session of 1939 I asked a question of the Prime Minister, which is reported at page 117 of *Hansard*. At that time I asked if the high commissioner in England had the same opportunity as ambassadors to discuss matters of state with the official representatives of other countries. What was the answer given? It was said that he does not have official relations with the ambassadors of other countries, but that he was getting his information through the dominions office, drop by drop. That was not information. It was propaganda which was conveyed through the dominions office to Mr. Vincent Massey and then to Ottawa.

I admit that Mr. and Mrs. Massey have done a great deal for the soldiers overseas by way of the establishment of hospitals, and so on. But they are the most imperialistic crowd in the world. Besides that, what is said about the British war office? We have heard how it has been described by Lord Fisher, by Sir Roger Keyes, by Somerset Maugham and by others who have seen the operation of it. They have shown what brains there are in the British war office.

According to a dispatch of July 30, 1940, and according to a news item of the same date from Mr. Cummings, which is published in the Ottawa *Citizen*, the British war office was denounced because of red tape—and that is not surprising. What is the real reason for conscription in this country? Why is the defence of Canada forgotten? Why is the future of this country put aside and destroyed? I have the answer in a recent news item from

[Mr. Ralston.]

the Canadian Press. I believe the date is June 27. The translation is as follows:

Captain Harold Balfour, under secretary of state for air, has declared to the house in London that the raid made by more than 1,000 air units would not have been possible without the help of men who had graduated in Canada.

I interrupt my remarks to refer to the official report of the standing committee on railways and shipping. I shall not send a copy of this to the Minister of National Defence because he would not read it. What I said has been denied by the minister; therefore I shall read to the house the question put to the minister and his reply. I am sorry I cannot read all the questions and answers. I quote from page 141:

Mr. Pouliot: I understand that such jobs cannot be filled by the patients of the Lady Grey hospital or the Lake Edward sanatorium —they cannot become brakemen or firemen and you cannot expect men who are unfit for military service to be brakemen and firemen on a train, can you?

Hon. Mr. Ralston: I would have to leave that with the railways; it is a railway question.

It is impossible to get any information from his department. If the minister does not know what is going on there, I am not going to instruct him.

Mr. RALSTON: That is not what my hon. friend said.

Mr. POULIOT: I object. This is my time.

Mr. RALSTON: My hon. friend-

Mr. POULIOT: I object. Sit down.

Mr. RALSTON: I do not care-

Mr. POULIOT: I know you do not care; you do not care about the Canadian people.

Some hon. MEMBERS: Order.

Mr. POULIOT: I am addressing the Chair and I do not want to be interrupted. What makes me doubly sorry are the remarks of the Prime Minister not long ago in connection with objections raised by some members of parliament in 1936, 1937 and 1938 when the estimates of the Department of National Defence were before the house. He said, as reported at page 4009 of Hansard:

In 1937, in 1938 and in 1939, some of these hon. members opposed the preparations for the defence of Canada because they maintained that Canada was in no danger. If I interpret their words aright, they are still prepared to overlook the designs of the enemy, and to discount his strength, despite the fact that his design of world conquest is increasingly clear, and despite the continued success of his arms.

I never used language as strong as that of the Prime Minister. Here is what he said in 1939, as reported on page 2419 of *Hansard*:

Mr. POULIOT: I want the minister not to interrupt me.

Mr. RALSTON: My hon. friend is making a statement with regard to procedure. I want him to produce the proceedings and the minutes of the railway committee in which I made any such statement, that the railways decided who should be called for military service and who should not. Then I should like anything the hon. member has to substantiate the procedure which he now alleges takes place, in which the Department of National Defence itself decides on the matter of deferment. I say both those statements are incorrect.

Mr. POULIOT: Then I will ask the Clerk of the House if he will kindly call for the reports of the railway committee, which are downstairs, and particularly volume 3. I have little time at my disposal, Mr. Speaker, and I am always surprised when the minister jumps up like a jack-in-the-box when I am speaking.

Mr. RALSTON: If my hon. friend will stick to the facts,

Mr. POULIOT: There he is again, like a jack-in-the-box. It is impossible to develop an argument when one is interrupted all the time either by the hon. member for Northumberland (Mr. Fraser) or by the Minister of National Defence (Mr. Ralston), who seem to be Siamese twins. I will not stand for it any longer, sir; I hope and trust you will apply the rule very strictly to everyone, because here we are all the same. No hon. member is more important than another, and a private member has the same rights in this house as the Prime Minister or the leader of the opposition, under the guidance of Mr. Speaker.

I was very sorry when I was called to withdraw the word "pompous" as applied to brass hats. But I was not surprised when the Minister of National Defence described as "futile" the very important question which stands on to-day's order paper as No. 3, and which has not been answered since June 12. To describe brass hats as they should be described I will use the language of a great Englishman, no less a man than Admiral Fisher. I take this description from the Montreal Gazette of November 26, 1941:

Brass Hats in Black Uniforms

Toward the end of the third act of The Devil's Disciple, George Bernard Shaw makes General Burgoyne say to his stuffed-shirt major: "Take it quietly, Major Swindon; your friend the British soldier can stand up to anything except the British war office." 44561-2893 That was some thirty-five years ago. About ten years later, the late great Admiral "Jackie" Fisher delivered a broadside which Judith Robinson dug up and quoted in last week's News; when the generals rebuked him for encroaching on their territory by preparing anti-zeppelin defences. Admiral Fisher replied: "Gentlemen, I have the responsibility of protecting the admiralty from German bombs. You at the war office are safe—the Germans will never bomb that establishment."

And what does Sir Roger Keyes, D.S.O., C.M.G., hero of Zeebrugge, say? These are his words:

Brass hats at Whitehall have frustrated every worth-while offensive action I have ever tried to make. They have succeeded in thwarting or delaying execution until we either have been forestalled or actions have been taken too late for success. Until the staff system is thoroughly overhauled we will always be too late for everything we undertake.

I regret not to have the time to read the article in the *Gazette* in full. However I hold in my hand another editorial, this time from a Tory imperialist paper in Ottawa, the Ottawa *Journal*, which quotes no less an Englishman than Somerset Maugham:

I can sum up the cause of the collapse of France in very few words. The general staff was incompetent; the officers were vain, illinstructed in modern warfare and insufficiently determined; the men were dissatisfied and half-hearted. The people at large were kept ignorant of everything that they should have been informed of; they were profoundly suspicious of the government and were never convinced that the war was a matter that urgently concerned them; the propertied classes were more afraid of bolshevism than of German domination; their first thought was how to keep their money safely in their pockets; the government was inept, corrupt and in part disloyal. Is it a miracle that France was defeated? It would have been a miracle if she hadn't been.

Mr. Maugham concludes:

The scum will be swept away. There are men in France who have integrity, patriotism and courage, thousands upon thousands of them.

Another argument is that the National Resources Mobilization Act of 1940 will have to be changed so as to permit our men to go outside of Canada for the defence of this country. Is it necessary? My answer is no, because the Prime Minister stated in the house on February 27 that trainees could be sent to the United States, and that the pledge of no conscription for overseas was not a barrier to that.

Then on June 5 the Minister of National Defence declared that the Dutch Harbour action brought the joint scheme of defence into effect. That is another reason used by the government.

Mr. RALSTON: Pearl Harbour, not Dutch Harbour.

Mobilization Act-Mr. Pouliot

According to the Ottawa Journal of February 24, a young Belgian artillery officer declared that nazi four-motor bombers now stationed in Norway could make the trip easily from Norway to Canada, and that Canada was within range of bombers from Norway, and that Canadians should not feel that they are safe from the horrors of war.

Now, sir, you know very well that it is important to protect this country, not only for the safety of the Canadian people but also to safeguard and protect all ways of communication by preventing the landing of supplies. Our ways of communication by water and by rail are vital to the help that we are giving and that we may give in the future to the allied countries. Therefore this country needs adequate protection.

Is it believable that although the mobilization act of 1940 was designed for the protection of this land, nothing of importance yet has been done in that regard? What about the suggestion that we should improve the military roads that are so vital to our communications? What about the suggestion with regard to mobile units? These suggestions have joined the one I made, in regard to the picture of his majesty in the recruiting booths; they are in the waste-paper basket of the Minister of National Defence.

Then, sir, there is another reason for which it is important that we change the present policy of the Department of National Defence. I take this from the words of the Prime Minister himself, in reply to my suggestion, a suggestion which I was the only member of parliament to make, with regard to recruiting a regiment in my own constituency for the defence of this land. Here are the words of the Prime Minister as they may be found at page 922 of *Hansard* for June 19, 1940:

I pointed out to him that in doing that he might be making the greatest mistake possible with respect to the national interest; that, to win this war, we might wish to keep at work in the forests the men who are now working in the forests, to provide the timber which will be required for docks and wharves and required immediately; that the men who are working in the factories may be a thousand times more useful to the government of this country in giving their skilled labour to the manufacture of aircraft, munitions, or other weapons of war than they could possibly be in lining up and presenting themselves for military service; equally that on the farms, if we are to perform what will be expected of us, we shall need all the production that can be effectively and rapidly carried out on the farms of our country.

It was precisely on account of that very statement by the Prime Minister that I wrote the Minister of National Defence on May 16, 1941:

[Mr. Pouliot.]

Eleven months ago, the Prime Minister pointed out to me that in doing voluntary recruiting for the defence of Canada, I might be making the greatest mistake possible with respect to the national interest.

Would there be no mistake possible with respect to the national interest in doing it for overseas service? In other words, how can I do, at your request and for another country, what I have been precluded to do by the Prime Minister for our native country?

Several arguments have been used with regard to the establishment of conscription in this country, as though it were to be a new move. It is not a new move. Conscription was commenced precisely two weeks after I wrote that letter to the Minister of National Defence. It was established by and in virtue of order in council P.C. 4759, dated Friday, June 27, 1941, when all avenues of employment were closed to men of military age who were not already called for training. In the advertisements for positions, published by the civil service commission, one paragraph reads as follows:

Order in council P.C. 4759 of June 27, 1941, provided that no male person of military age shall be appointed to the public service unless he is ineligible for service in the forces. Military age has been set as from 18 to 45 years inclusive. Among successful male candidates within these ages, except veterans of the great war of 1914-18 or the present war, only those will receive appointment who, after examination by an army medical board, have been declared unfit for military service.

Since then that order has been made much tighter. Now the only men who can secure employment in war industry of any description, including the railways, must be unfit for service, or either under or over the military age. So that we see boys of sixteen and and seventeen who have to go far from home in order to get work to help their families, and no man who is fit for military service and of military age can secure employment even in a war industry. I did put a question to the Minister of National Defence when he appeared as a witness before the committee on railways and shipping. He told me that it was up to the railway to decide whether or not a man who was called for training was indispensable to the railway. I know what happens. A notice is sent to the trainee by the registrar, and the trainee has to pass on that notice to the foreman of the shop. The foreman of the shop sends it to the head office of the region. The head office of the region sends it to the Department of National Defence, where a postponement is either granted or denied. Then it is returned by the military attaché to the registrar with the black ball of the Department of National Defence; and how is it that the minister-

whether there are any new regulations in regard to sending parcels to England in view of the shortage of boats? If so, what are those regulations?

Hon. W. P. MULOCK (Postmaster General): The hon. member sent me notice of the question a moment ago. I shall be glad to give a statement to-morrow.

MOBILIZATION ACT

AMENDMENT TO REPEAL SECTION 3 PROVIDING LIMITATION IN RESPECT TO SERVICE OVERSEAS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the third reading of Bill No. 80, to amend the National Resources Mobilization Act, 1940.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): My only hope to-day is, Mr. Speaker, that although you were born in that great country, Scotland, you are a Canadian at heart; and my deep regret is, sir, that some of those who were born in this country are not as good Canadians as you are.

I shall not insist on bringing to your attention some facts that would have been qualified by the leader of the opposition (Mr. Hanson) as an outrage on parliamentary practice; I mean the railroading of this bill in committee of the whole last night. But, sir, under the shadow and protection of the Chair when you sit in it I feel more secure to express freely my views about this bill, which is of the utmost importance for this country right now and also for the future.

The fact that some of us are opposing this legislation does not mean that we are disloyal Canadian citizens. It means that we have the right, inasmuch as we are members of this house, even more than the conscientious objectors, the Jehovah's Witnesses and all the cranks whose views are to be expressed freely if the report of the committee on the defence of Canada regulations that was tabled this morning is adopted. It means that members of parliament have the right to express their views in this house freely, without fear or favour, and thinking only of the public interest of the Canadian people.

We French Canadians are not disloyal. We have the utmost respect and the greatest admiration for Their Majesties the King and Queen. This is the reason why as a private member of parliament I have suggested that a good likeness of His Majesty the King, who is the commander-in-chief of the Canadian Army, should be in all recruiting offices. But when I offered that suggestion I realized once more that the Minister of National Defence had not understood what I had said in plain 44561-289

English. I was referring to recruiting booths or offices, and he in his reply mentioned messes. He said on May 6—*Hansard*, page 2202:

The hon. member for Témiscouata asked about having a picture of the king and queen in the various messes. He spoke of His Majesty as commander-in-chief. That is an error.

The minister added that he would take the suggestion into consideration. My suggestion of having a picture of His Majesty the King, the commander-in-chief of our army, in all recruiting offices has joined all other representations that have been made to the Minister of National Defence by any private member; they can be found in his old wastepaper basket.

Well, sir, taking into account what has been said by the leader of the three branches of the army, I want to mention in the first place that early in April General Brown said:

The reserve force may have to fight and it must be ready to fight as soon as possible.

After all, there is no more war overseas than there is here now, and we may have some here sooner than they have, in view of the threats to our coast.

That was the view of the army, the militia. What was the view of the navy? Here it is in an interview published in the *Evening Telegram*, Toronto, of March 25 last:

U-boats may try raiding St. Lawrence in summer, Canadian admiral warns.

Three services defending maritimes ready for visits by Hun craft, is assurance.

The word "ready" is used.

By J. H. Fisher, Telegram staff writer.

Ottawa, March 24.—German submarines may attempt sinking merchantmen in the gulf of St. Lawrence, this summer, Vice-Admiral P. W. Nelles, chief of the naval staff, and Rear-Admiral G. C. Jones, in command at Halifax, said to-day in an interview relating to east coast naval operations.

These top-ranking officers in the Canadian naval service declared that it would be quite feasible for enemy U-boats to venture into the gulf in the hope that they may be able to pick off a cargo vessel, but they indicated that the three services defending the Canadian maritimes are ready for any visit of this nature.

And you know, sir, as all hon. members do, that there have been sinkings by enemy submarines on several occasions. The interview continues:

"It is a practical proposition," Vice-Admiral Nelles declared, and Rear-Admiral Jones explained that with the coming of the longer days the opportunities for the U-boats will increase. He added, however, that the longer days will also make it easier for the air force to detect and attack these rattlesnakes of the sea.

What was done for the protection of our waterways and of our shores by the navy no one knows.

REVISED EDITION

Hong Kong Commission

6. Are they married or single? 7. What medical category are they under for military purposes?

8. Were their appointments approved by the Canadian Legion or any other military organization?

9. Have they been called up for military service and received postponement? 10. If not, when will they be called up? 11. Is this a class of work that could not

be done by men over military age, or veterans? 12. Have any veterans' organizations been

asked if they have any men with the necessary qualifications available for these positions?

13. Were applicati ns called in the usual way for these positions?

14. Why was order in council No. 4759 ignored in these appointments?

CIVIL SERVICE COMMISSION-EXAMINERS-QUES-TION OF EXEMPTION OR POSTPONEMENT

Mr. ROSS (St. Paul's):

1. How many persons now in the employ of the the civil service commission, examination branch, are between the ages of 17 and 45?

2. Have any been granted military exemption postponement from order in council P.C. or 4759?

3. Have any of the following been called, and granted exemption or postponement, and if so, granted exemption or postponement, and it so, when were they called, why were they exempted or postponed, and for what length of time was the postponement granted: J. C. Rutledge, Leslie Smith. Rex Boyd, Carson Jones, Gordon Doherty, Richard Moore, Harold Irwin, C. E. Rice?

4. What are the ages of the above mentioned, and on what dates did they enter the civil service commission as examiners?

5. Were they married or single prior to July 15, 1940?

NURSES

QUESTION OF FINANCIAL ASSISTANCE-SHORTAGE OF REGISTERED NURSES THROUGH ENLIST-MENTS

On the orders of the day:

Mrs. CORA T. CASSELMAN (Edmonton East): I wish to direct a question to the Minister of Pensions and National Health. In view of the very serious shortage of registered nurses owing to the number of nurses going on active service with the military forces, will the government consider giving financial assistance to young women who wish to enter training for professional work and to graduate nurses who might do administrative work on the teaching staff?

Mr. SPEAKER: That question should be placed on the order paper.

[Later:]

Hon. IAN A. MACKENZIE (Minister of Pensions and National Health): I wish to table order in council P.C. 72/6073, which provides for a grant of \$115,000 for the training of nurses.

[Mr. Cruickshank.]

HONG KONG COMMISSION

QUESTION OF LEGAL OPINION ON REFERENCES IN DEBATE TO EVIDENCE TAKEN AT INQUIRY

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I wish to direct a question to the Minister of Justice by reason of the discussion which will take place on the question of the Hong Kong inquiry. Is it the opinion of the Department of Justice that, or has an opinion been secured, whether or not, any reference to the letters written to the Prime Minister and to the leaders of the various parties, in so far as those letters contain references to the evidence taken by the commission, would render the persons making such references liable to contempt of court before the commissioner on the inquiry, or whether or not the extraordinary powers conferred upon the commissioner terminated with the bringing down of the report by the commission?

Mr. SPEAKER: That is a question which really should be placed on the order paper, but in view of the statement made yesterday by the Prime Minister I will leave it to the minister in charge to answer.

Hon. R. B. HANSON (Leader of the Opposition): This question is important and pressing in view of the fact that we are to proceed to-day with the discussion of the Hong Kong report.

Mr. SPEAKER: I will leave it to the minister to reply.

Hon. L. S. ST. LAURENT (Minister of Justice): The hon. member sent me a notice of the second part of the question beginning, "Has the government secured a legal opinion from the Department of Justice or elsewhere, ... " and as the hon. member read that part of the question and as I received it from him, the answer would be in the negative: no opinion has been secured. The hon. gentleman inserted, before that portion of which he gave me notice, the words-if I got them correctly-"Is it the opinion of the Department of Justice or has the government secured legal opinion from the Department of Justice or elsewhere?" The answer to that is that the matter has not been considered by the Department of Justice.

POSTAL SERVICE

REGULATIONS RESPECTING PARCELS MAILED TO ENGLAND

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): Would the Postmaster General tell the house

Questions

906 and 802 of the cadastre of the parish of Pointe Claire, and if so, what was the price paid?

2. Has the same A. G. Houghton sold this property to the C.N.R. for one dollar and other considerations, and if so, what are the other considerations?

3. Has the C.N.R. rented the same property to the air force for the erection of a manning depot at Lachine, and if so, for what period and at what price?

Mr. HOWE:

1. Mr. C. G. Houghton, a Canadian National Railway property department official, acting for the Canadian National Railways, purchased the property in question in consideration of \$6,000.

2. \$6,000.

3. Part of the said property and some adjoining land, previously owned by the railway company, has been leased to the Department of National Defence for the duration of the war and one year thereafter, at annual rental of \$1,500.

CANADIAN NAVY—COOPERATION WITH FREE FRENCH FLEET ON ATLANTIC COAST

Mr. CHURCH:

Is the Canadian navy cooperating with or giving any assistance to the Free French fleet of General de Gaulle, on behalf of our allies, and aiding the good work of the Free French fleet in protecting Canada and the United States in the Atlantic, St. Lawrence gulf and islands in the neighbourhood?

Mr. MACDONALD (Kingston City): Stand.

Mr. CHURCH: Can the minister not answer these questions?

Mr. MACDONALD (Kingston City): I can give an oral answer now. The Canadian navy is endeavouring to cooperate with any navy or any unit of any navy of the allied nations.

Mr. CHURCH: That is not an answer; it is only an excuse.

Mr. MACDONALD (Kingston City): The answer is yes.

DUNDURN, SASK., MILITARY CAMP

Mr. BENCE:

1. Is the military camp at Dundurn, Saskatchewan, being used to the fullest extent of its facilities for the training of troops?

2. If it is not being so used give the reasons therefor?

Mr. RALSTON:

1. The military camp at Dundurn, Saskatchewan, is at present being converted from its former use as the site of an engineer training centre and a machine gun training centre, to that of an armoured corps training centre which will train reinforcements for reconnaissance units. When this conversion is completed the present facilities for the training of troops at the latter camp will be used to their fullest extent.

2. Answered by No. 1.

MUNITIONS AND SUPPLY—BITS AND PIECES WORK IN MANITOBA

Mr. MACKENZIE (Neepawa):

Under the bits and pieces programme, what value in work has been given out or sublet, (a) in the province of Manitoba, (b) to country shops outside Winnipeg?

Mr. HOWE: The bits and pieces programme was instituted by the industry and subcontract coordination branch of the department. This branch does not give out work or negotiate subcontracts. It assists government purchasing branches and prime contractors in finding production capacity where contracts or subcontracts may be placed. Statistics are not available in the Department of Munitions and Supply to permit an accurate reply to this question.

QUESTIONS PASSED AS ORDERS FOR RETURNS

RECOGNITION OF WORK OF CANADA'S MERCHANT MARINE

Mr. CHURCH:

Why is not more recognition given in naval announcements to the good work done by Canada's merchant marine on the seven seas and on inland lakes and waters of Canada?

Mr. McLARTY: Return tabled.

MAJOR J. S. YUILL

Mr. BLACK (Cumberland):

1. Is Major J. S. Yuill employed by the government in censor work?

2. If so, for what period has he been employed?

3. What salary is he paid monthly?

4. What were his total monthly expenses in (a) 1941, (b) 1942?

5. What have leen the additional expenses in connection with his duties?

6. What have been the total salary and expenses paid to date, stating date of employment?

CIVIL SERVICE COMMISSION-R. JONES AND C. MOORE

Mr. CRUICKSHANK:

1. Are Mr. R. Jones and Mr. C. Moore employed by the civil service commission as examiners in British Columbia or elsewhere?

2. If so, what salaries do they receive and when were they appointed?

3. What qualifications have they for this class of work?

4. Are they under 30 years of age?

5. What are their respective ages?

ambassador in a day. We have seen the mistakes which have been made in this war. The lack of a good diplomat practically caused the war.

Mr. POULIOT: Will this resolution have a retroactive effect for the benefit of some men who have been in the diplomatic service, but who are not now in it?

Mr. MACKENZIE KING: The estate of one person will be affected. As my hon. friend is aware, Mr. Loring Christie, who was for some years in the Department of External Affairs, died while at his post as minister in Washington. He was, while in the service, contributing to a superannuation fund. But all the benefits his estate would have derived, had he continued on in the civil service, are lost unless the provisions of this act can be made applicable to his estate. He left the civil service at the instance of the government to take the post in Washington which, in the large sense of the word, is a civil service post, certainly a public service post. The committee will, I think, agree it would be unfair to his widow if the estate were to be deprived of the benefits which otherwise would have accrued to it, had he been permitted to continue his contributions to the superannuation fund.

Of course the contributions which would have been made will have to be made to be refunded to the treasury before any benefits can accrue later. Mr. Jean Desy's is another case in point. These are the only cases which would be retroactive.

To-day Mr. Desy is minister in Brazil. During the years he was in the Department of External Affairs he was contributing to the superannuation fund, but when appointed first to Belgium and later moved to Brazil he ceased to contribute to the fund and ceases to get any benefits from it unless opportunity is given to him to restore the amount to the fund which he should have been contributing right along, and to continue to contribute in order to secure the benefits accruing at the end.

, Unless we are to be deprived of drawing from our permanent civil service for men for these diplomatic posts, something of this kind is absolutely necessary. Moreover, it is wholly right.

Mr. POULIOT: Would it not benefit another ex-minister, also?

Mr. MACKENZIE KING: No; those are the only ones I know of.

Mr. POULIOT: What about Brigadier Vanier.

[Mr. Church.]

Mr. MACKENZIE KING: Brigadier Vanier's position is covered, I believe, by the fact that he is entitled to draw a pension under the provisions of some act of the Department of National Defence. He is not affected by this bill, so far as I know.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King moved for leave to introduce Bill No. 120, to amend the Department of External Affairs Act.

Motion agreed to and bill read the first time.

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

Thursday, July 23, 1942

The house met at eleven o'clock.

REPORTS OF COMMITTEES

Second and final report of special committee on defence of Canada regulations.—Mr. McKinnon (Kenora-Rainy River).

Sixth report of standing committee on agriculture and colonization.—Mr. Weir.

QUESTIONS

(Questions answered orally are indicated by an asterisk.

GIMLI, MAN., AIRPORT

Mr. COLDWELL:

1. Has an airport been built at Gimli, Manitoba?

2. Who has the contract?

3. What amounts have been paid for, (a) fencing, (b) clearing the land of brush, (c) excavating, (d) surfacing, (e) erection of buildings?

Mr. RALSTON:

1. Construction now under way.

2. Bird Construction Company.

3. (a), (b), (c), (d) Accounts have not yet been received covering actual expenditures. The projected cost of aerodrome development is \$1,113,500.

(e) The estimated cost of the proposed buildings is \$1,276,600, but the contract has not yet been let.

PURCHASE OF LAND IN POINTE CLAIRE PARISH, QUE.—RENTAL TO AIR FORCE FOR MANNING DEPOT

Mr. MARIER:

1. Did Mr. A. G. Houghton purchase from Ames Dawes Realty on the 7th of May, 1941, a farm bearing the following numbers: 197-198Motion agreed to and the house went into committee, Mr. Fournier (Hull) in the chair.

Mr. MACKENZIE KING: I will make the same explanation at this stage that ordinarily I would make on the motion for first reading of the bill. This explanation is one which will be found in the explanatory note forming part of the bill which will be introduced later.

Under the existing constitutional practice, appointments as ministers plenipotentiary, as consuls general and as consuls are made by His Majesty the King. Since the beginning of 1938 there have been three appointments of Canadian permanent civil servants as ministers plenipotentiary and three appointments as consuls. The Department of Justice has ruled that, upon appointment as a minister plenipotentiary a civil servant ceases to be eligible to contribute to the superannuation fund, and there is some doubt as to the position of permanent civil servants who are appointed to consular posts.

In the case of the appointments as ministers plenipotentiary, the appointees were placed upon a lower salary scale than that which had been established for persons appointed from outside of the civil service with the understanding that they would be eligible or made eligible to contribute to and to receive the benefits of superannuation. There is one instance in which a permanent civil servant so appointed has since died.

It is therefore necessary to amend the Department of External Affairs Act so as to ensure that civil servants performing duties which involve appointment by His Majesty the King will not lose their status as permanent civil servants and also to enable such civil servants or the estates or the widows in appropriate cases to refund the appropriate percentage of their salaries for the period between the dates of their appointment and the coming into force of this act or, in the case of a deceased person, the date of his death.

In a word it means simply this that where appointments are made from the permanent civil service to diplomatic posts, if the appointees had been contributing to the superannuation fund, unless this amendment is passed to the Department of External Affairs Act they will lose all the benefits of that fund. This is to enable an appointee from the service to a diplomatic post to have refunded to the treasury the amount he would have to make by way of contribution to get the benefits of superannuation at the end of his term.

Mr. CHURCH: I see no necessity for any of these vast expenditures on external affairs, especially when there is a war on. This committee passed a draft estimate, and after it was passed a very large sum of money was run up by the government and the Minister of External Affairs in opening many of these new agencies which were already covered by trade commissioners.

We should have some economy in these matters connected with the Department of External Affairs. Many of these are only amateur diplomats who have had no training for their work. So far as this department is concerned, they are not functioning in the way they should be. I have in mind the one in Eire, and several others. It is bad enough in a time of peace to have divisions within the empire, but in a time of war it is even more fatal.

Some of these envoys and ministers plenipotentiary are causing untold strife among the dominions, and in addition to that they are interfering with the conduct of the war. Let us consider Washington, for example; we have a small expeditionary force there, in which there are representatives of the army, the navy, the air force, and even the women's army. They put on all the airs and manners of a nation of 75,000,000 people. Australia and New Zealand have not gone to that extent. Those people are here to-day and away to-morrow, because they will be changed with every change of government. So far as I can see, they have done little or nothing in Washington compared with what they should have done.

I am absolutely opposed to the extension of the principle of envoys and ambassadors, and the disregard of the fact that we are a nation of only around 11,000,000 people. I am opposed to this extension of the application of superannuation to these diplomats. This matter should be considered when the estimates are before the committee, and should not be put through in this form. There should be a vote before the committee of supply, and yet we have not had a dollar voted by that committee. This is the 114th day of the session, and yet we have not considered one item in the Department of External Affairs.

Out of respect for the Prime Minister I do not wish to delay the progress of the resolution. I believe, however, we should pay heed to the handwriting on the wall and try to reduce our expenditures, because after all is said and done a man cannot learn to be an Mr. STIRLING: I suggest that third reading be delayed until to-morrow.

Some hon. MEMBERS: No.

Mr. POULIOT: I am ready.

Mr. SPEAKER: Standing order 77 reads:

All amendments made in committee are reported by the Chairman to the house, which shall receive the same forthwith. After report the bill is open to debate and amendment, before it is ordered for a third reading. But when a bill is reported without amendment, it is forthwith ordered to be read a third time at such time as may be appointed by the house.

Mr. STIRLING: May I direct your attention to citation 811 of Beauchesne, which in the latter part states:

The Speaker formally puts the motion for the second reading of the same, and if it is carried he says: "When shall the bill be read a third time?" and the answer generally is "next sitting of the house."

Mr. MACKENZIE KING: I think the hon. member has stated the matter correctly when he says the answer generally is "next sitting of the house," but as a matter of right the house would be entitled to third reading at the present time.

Mr. STIRLING: That is so.

Mr. MACKENZIE KING: However, I presume that if we proceeded with the third reading to-night we should not be able to conclude it, and in the circumstances I would regard it as preferable to proceed with the third reading to-morrow. In the interval between now and eleven o'clock we might get a few more of the departments into committee of supply, so that we may be able to proceed with them later on.

Mr. SPEAKER: When shall the bill be read a third time?

Mr. MACKENZIE KING: Next sitting of the house.

SUPPLY

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

DEPARTMENT OF NATIONAL DEFENCE

Normal services.

180. Cadet services, \$659,000.

Item stands.

DEPARTMENT OF FINANCE

47. Departmental administration, \$417,106.

Item stands.

Mr. STIRLING: That gives the government two more departments in supply, which makes ten departments now open. Surely [Mr. Pouliot.] that should suffice for the present, considering that hitherto the examination of only one department has been carried on.

Mr. MACKENZIE KING: My hon. friend understands that on Thursday, Friday and Saturday the rule is that a department must have been called previously, or its estimates may not be taken up. We are trying to conclude the session this week, I understand, though I do not know that we shall be able to do so.

Mr. STIRLING: Not a hope.

Mr. MACKENZIE KING: But I would submit to my hon. friend that there is really nothing to be gained by not having all the departments in at once.

Mr. STIRLING: Oh, no; I do not agree with that.

Mr. MACKENZIE KING: Then let us get in at least two more to-night.

Mr. STIRLING: I understand that someone on behalf of the government spoke to the leader of the opposition and mentioned two or three departments. I do not think I could possibly agree to more than another one, which would make eleven.

DEPARTMENT OF PUBLIC WORKS

259. Departmental administration, \$194,450.

Item stands.

Mr. MACKENZIE KING: My hon. friend will not agree to any more?

Mr. STIRLING: No. That makes eleven.

BUSINESS OF THE HOUSE

Right Hon. W. L. MACKENZIE KING (Prime Minister): We have a few minutes left. I wonder if the house would allow me to proceed a stage with the resolution having to do with the application of the Civil Service Superannuation Act to certain diplomatic or consular representatives. I should like to introduce the bill based upon this resolution. This is a very simple matter.

Mr. STIRLING: Is the Prime Minister proposing to make a statement in explanation?

Mr. MACKENZIE KING: Yes, I shall make a statement.

EXTERNAL AFFAIRS

APPLICATION OF CIVIL SERVICE SUPERANNUATION ACT TO CERTAIN DIPLOMATIC OR CONSULAR REPRESENTATIVES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to consider the following resolution:

as for the defence of Témiscouata, and I would ask you to tell the hon. member for Fraser Valley not to bang his desk.

Mr. CRUICKSHANK: I will look after the member for Fraser Valley myself. When did I bang the desk?

Mr. POULIOT: If I was mistaken in thinking it was the hon. member for Fraser Valley I apologize.

Mr. CRUICKSHANK: The hon. member had better apologize and try to keep order a little more.

Mr. POULIOT: If what I have said is not absolutely according to the facts I am the first to offer an apology.

We think of Great Britain; she gives us a great example, an example of national defence which is real national defence. The British isles are now called an impregnable fortress. There are many Canadians over there who are there for the defence of that country. How is it that those who are always prone to call themselves good Britishers are not following the example of Great Britain in having the same thing done in Canada as in Great Britain, in making Canada a fortress? Some will say that it is impossible. Even a member of parliament has gone to the United States to tell the people there that the war should be decided outside this continent. I do not recall now his exact words, but that was the meaning. Now we shall hear some say that we have to defeat the enemy wherever he is, and the farther away the better for this country. That theory could be accepted only if we had a certain guarantee that Canada would not be invaded by the enemy before the end of this war. That guarantee cannot be given. It cannot be given by the Minister of National Defence. It cannot be given even by the Prime Minister. When I asked him that very question at the time the Scharnhorst and the Gneisenau had been getting out of French ports, I got no answer. I was told that my question was inconsiderate, that no one should ask such a question. How is it that there is such a blackout of intelligence, not to realize what the situation is now? We have the enemy right at our doorstep, and the admission of the Minister of National Defence for Naval Services that German submarines have been sinking allied vessels in the St. Lawrence. It seems to be enough. It is not considered at all.

The CHAIRMAN: Shall the sections 2 and 3 carry?

Some hon. MEMBERS: Carried. Mr. POULIOT: No, sir. The CHAIRMAN: Those in favour will please say "aye".

Mobilization Act

Some hon. MEMBERS: Aye.

The CHAIRMAN: Those opposed will please say "nay".

Some hon. MEMBERS: Nay.

The CHAIRMAN: In my opinion the ayes have it.

Sections 2 and 3 agreed to.

On the title.

The CHAIRMAN: Shall the title carry?

Mr. POULIOT: No, Mr. Chairman.

The CHAIRMAN: Carried.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Mr. POULIOT: No, sir.

The CHAIRMAN: Those in favour will kindly say "aye."

Some hon. MEMBERS: Aye.

The CHAIRMAN: Those opposed will kindly say "nay."

Some hon. MEMBERS: Nay.

The CHAIRMAN: In my opinion the "ayes" have it.

Mr. POULIOT: This is a most unusual procedure.

The CHAIRMAN: Not at all.

Mr. POULIOT: It is worse than closure, because with closure you can at least speak for twenty minutes.

The CHAIRMAN: In my opinion the "ayes" have it.

Mr. LACOMBE: On section 3, Mr. Chairman-

The CHAIRMAN: Section 3 is carried.

Mr. LACOMBE: Section 3 is not carried.

The CHAIRMAN: I am sorry, but it' is carried.

Mr. LACOMBE: It is not carried.

The CHAIRMAN: It has been carried. Bill reported.

Mr. SPEAKER: When shall the bill be read a third time?

Some hon. MEMBERS: Now.

Mr. POULIOT: I wish to speak on the third reading.

the question now, because we are entitled to know whether the working or the operation or the application of the act of 1940 has been successful. What I find strange is that as soon as something is decided by this house, as soon as some legislation is passed by the house in one direction, the opposite is done. The purpose of this legislation was the defence of Canada within its own boundaries, and it was after the fall of France that the government decided to establish conscription for home defence. But it was never for home defence; the object was to bring boys to camps where they were submitted to high pressure in order to induce them to enlist for service overseas.

I listened with interest and sorrow to the remarks of the hon. member for Stormont (Mr. Chevrier). He is one of the best debaters in this house, and he has sugarcoated pills. But he knows very well about what happened at Cornwall, though no one objected to his remarks. He knows very well that there was no camp in regard to which the complaints were so numerous. I do not want to be unfair to anyone; I do not want to be unfair to the commanding officer of that camp, because perhaps he was following closely instructions he had been receiving from higher officers in the Department of National Defence and was bound to execute those instructions. Nevertheless I had numerous complaints. I have not so many friends in that part of the country as the hon. member for Stormont, but I have seen young soldiers coming from that camp at Cornwall who told me that the difference between rice soup and rice pudding was that little raisins were floating in the rice pudding, and so on and so on. But that is of no importance whatever. These are frugal men, and they do not insist so much upon the quality of the food that is offered them. Still they were subjected to a thing that is the cause of divorce; I mean mental cruelty. Those who were unwilling to enlist for service overseas were treated differently; they were made to wash the floors and so on. They had no better treatment than was accorded the winner of the Victoria Cross whom I brought to the committee the other day and who was cleaning spittoons in the house. I regret very much that during the last twenty-five years no one has taught the children what a hero is and who were the heroes of the last war. There were published some expensive books which nobody read; but the little boys and girls in the schools were not told of the prowess of the men, which was the honour and glory of the heroes of that war.

There is now another call for recruits. I have here a large French newspaper, the largest in America, *La Presse* of Montreal, [Mr. Pouliot.] and on the front page of the second section there is a news item of wide interest. Not only 15,000 recruits are to be called, not only 25,000, but 100,000 are to be called shortly, probably before the end of the year. I will translate that news item, which is of wide interest:

Thirty thousand recruits will be called in Quebec.

Of the 100,000 young men who will be called in service from August, in the whole dominion, it is believed that approximately 30,000 will be from the province of Quebec, we learn from an official source to-day. Medical classes A and B, and the classes from twenty to thirty years of age will be called. We have already observed that some young men of the twenty-year class have already received their notice.

The need of men in the army is more and more urgent and it is on account of that that there is such a call en masse. Nevertheless, if we consider that 30 to 40 per cent of the recruits are refused as unfit for military service, that number will not in fact be so large.

To come to what I said in the first place. after the Minister of National Defence went to London in the winter of 1940-41 and spent some time there, he undoubtedly made a pledge on behalf of this country to the British government. What was the number of Canadian men that he pledged to Great Britain on that occasion? No one knows. I have asked, but I have never obtained that information. The minister referred to it at one meeting at which two federal members were present, in the railway committee room of this building, some time after the adjournment of this house. Not only were we not informed of the number of men that had been pledged by the Minister of National Defence, but we were never informed as members of parliament that the Minister of National Defence had pledged men to Great Britain on that occasion. He told it at a meeting where there were many officers and only those two members of parliament; no other member of parliament was there, and I am surprised that my colleague and I have been kept in ignorance of what was done in England by the minister during that winter.

The number of men requisitioned by the Department of National Defence is twice the number that was required after that trip of the minister to Great Britain. What were the other commitments of this government or of any other member of this government to the British government with regard to the sending of men from Canada to Great Britain? We see that a certain number of men are called at certain periods, but we do not know the basis for that call.

Mr. Chairman, what I am saying now is just as much for the defence of Fraser Valley

The CHAIRMAN: The hon. gentleman has the floor. Will he kindly address the committee on sections 2 and 3?

Mr. POULIOT: Yes, sir. As I have already said, the case is different with the department for naval services and the department for air on the one hand, and this department of militia on the other hand, because the minister for naval services and his colleague the minister for air indulge in recruiting in the normal way, by posters, certain propaganda and so on, but it is not at all the same system which binds the Department of National War Services and the Department of National Defence. If the Minister of National Defence for Naval Services—and I regret that his colleague the Minister of National Defence for Air is not here at present -needs men, the only way for him to get those men is through propaganda, by putting advertisements in the press that we need men for the navy. Similarly the Minister of National Defence for Air will advertise that we need men for the air force. But the Department of National Defence proceeds otherwise: and when it has not enough men, those fellows who are high-ranking officers, and many of whom have never been to any theatre of war either in the last war or in the present one-a fact which I am not going to withdraw, because it is established in a return and is well known to all hon. membersmay make a requisition in the same fashion as they requisition for Bren guns or anything else: "We need 2,000 Bren guns; we need 2,000 men, 10,000 men, 25,000 men, 30,000 men." They do not consider the effect of that order on men from the farms, from industry, lumberjacks, and so on. As the Prime Minister pointed out to me, in June, 1940, they do not consider at all the effect of taking those men away from their occupations, from the munitions plants, from railways, from the munitions plants, from tan-ways, from everywhere. They do not con-sider that at all. They say, "We need so many men and the men must come", just the same as they must have their Bren guns, or caps or uniforms or long coats or anything else. That is one thing. Another thing I want the Minister of

Another thing I want the Minister of National Defence to tell this committee is what pledge he made in London when he was there in the winter of 1940-41; what pledge of men, Canadian men, not to the British army but to the English army; I would say first to the English army, and in the second place to British army. The minister may say that I do not know my business, but I take the trouble to read the publications of his department, and I have enough friends in the army who inform me Mobilization Act

about what is going on. In fact he has never denied specifically any statement I have made with care and with proof in hand. During the last war there were four divisions, and it took all the man-power of Canada at the time to fill those four divisions. We are now making a war effort which is much more considerable than that of the last war. I am credibly informed that we have eight divisions, and therefore the number of men who are expected to fill those eight divisions should be twice as many as those who filled the four divisions during the last war. This may be denied, but I know that it is true. Therefore, since we had 600,000 men under arms during the last war, and since we nearly exhausted the man-power of our country at that time, if we double that man-power effort now the number of men required from this country in the three branches of the armed forces will be at least 1,200,000. It is impossible for us to send that number of men overseas when there are practically none to defend this country now. The Prime Minister stated in reply to one hon. gentleman opposite that the time was not ripe to submit the question of confidence to this house, and I maintain that it will not be opportune to do so unless the defence of this country is completed and assured. Therefore the government will have ample time to consider the matter, and I hope that no such order will be passed before the population of Canada is defended as it should be. Some of my hon. friends opposite and some on this side of the house are of the opinion that it should be done right now, and they have expressed their views in that regard. I respect such views when they come from one like the hon. member for Lambton West (Mr. Gray), who is a returned man, who went through the last war. I cannot conceive how anyone who is not a veteran of the last war and whose children are not all serving under the colours can say that he is in favour of conscription of others for service overseas. But conscription for home defence is the duty of every born Canadian and of every man born outside Canada who has made Canada the country of his choice.

Mr. CHURCH: Will the hon member permit a question before he concludes? Would he object to adding to the notices to be sent out in Témiscouata county a clause that the whole bill is dedicated to the honour of Ethelred the Unready?

Mr. POULIOT: I agree with my hon. friend on that; nothing is done with regard to defence. It is proper that we should discuss Mr. FRASER (Northumberland, Ont.): On a point of order, Mr. Chairman, should this chamber be subjected to a continual tirade by any hon. member reflecting on the headquarters staff or the officers in charge of his majesty's forces?

Mr. POULIOT: I think the point of order is childish.

The CHAIRMAN: I think an hon. member can under sections 2 and 3 state why he is or is not in favour of these provisions. These two sections refer to the National Resources Mobilization Act. There is sufficient connection between the bill before us and the National Resources Mobilization Act to justify references with respect to the general administration of that act. But I would call the attention of hon. members to the desirability of restricting such remarks as much as possible. We are not called upon to pass the mobilization act anew.

Mr. POULIOT: It is most difficult, Mr. Chairman, for anyone to make an argument when he is subjected to interruptions from hon. members who have not read the rules shortly before rising.

The CHAIRMAN: Order. We are now on sections 2 and 3, and my ruling has been given.

Mr. POULIOT: I know that. I am just explaining the difficulty I have now. I am not complaining about the Chair.

The CHAIRMAN: I understand, but I think we should proceed with the study of sections 2 and 3. These sections purport to remove the restrictions which were imposed by the act to the effect that no mobilization of man-power for service overseas could be ordered. Under this bill, if it is enacted, these restrictions will be removed. That is the gist of these two sections, to which the remarks of hon. members should be directed.

Mr. POULIOT: I cannot do so, sir, unless I show how that mobilization is effected now.

The CHAIRMAN: I must confess that I cannot see how remarks about the mummies of Egypt and the brass hats, and comparisons between high officers of the Department of National Defence and the mummies of Egypt, can help the committee.

Mr. POULIOT: Then I will not continue.

Mr. RALSTON: I will ask that the hon. member be ordered to withdraw.

Mr. POULIOT: No, Mr. Chairman.

Mr. RALSTON: I am getting entirely sick-

Mr. POULIOT: Well, be sick, and go. [Mr. Pouliot.] Mr. RALSTON: —of hearing a man who knows nothing about service overseas—

Mr. POULIOT: I know more than the minister does, because of his total ignorance.

Mr. RALSTON: —rising in his place and talking about men who have served overseas. The army council is composed of four men all of whom have seen service overseas, and is headed by the chief of the general staff, who has a Distinguished Service Order and a Military Cross to his credit.

Mr. POULIOT: What about the V.C. who works here?

Mr. RALSTON: It is about time that remarks of this kind ceased, about men who are serving their country well and faithfully.

The CHAIRMAN: It is out of order in any debate in the house to make offensive remarks with reference to His Excellency the Governor General, judges of the high court, or other high officials of the crown.

Mr. MACKENZIE (Vancouver Centre): It is citation 305.

The CHAIRMAN: Therefore I think the hon. member should eliminate from his speech any such remarks, particularly when these high officers are not here to defend themselves.

Mr. RALSTON: I ask that the hon. gentleman be requested to withdraw his remarks.

Mr. POULIOT: No, sir.

Mr. RALSTON: I do not care whether my hon. friend says "no" or not; I am not interested.

Mr. POULIOT: I am not going to withdraw for John de Kuyper gin.

The CHAIRMAN: On the point of order which has been raised, I must ask the hon. member to withdraw the offensive remarks he made concerning high officers of the Department of National Defence.

Mr. POULIOT: To my great humiliation, sir, I bow to your decision. Now I want the minister to sit down. I have the floor, and I do not want to be interrupted by anyone, especially by those whom I have to inform about the working of their departments especially, John de Kuyper gin.

This is the way in which requisitions are made for national resources, material and men. The officials of the Department of National Defence, and by that I mean militia only if the hon. gentleman cannot speak to answer my questions, Mr. Chairman, will you please tell him to keep silent when I speak? regulations, 1941", which were drafted in virtue of the mobilization act. Section 8 in those regulatons gave the minister power to extend indefinitely for the duration of the war the training period of conscripts, draftees or recruits.

Mr. RALSTON: The service period.

Mr. POULIOT: Yes, the service period. In virtue of the first two orders in council it was training that was required from the conscripts; afterwards it was service. This means that the extension had been made by a stroke of the pen by the minister. The regulations passed by order in council gave him the discretion to act as he wished. Since the orders in council were made public by insertion in the Canada Gazette, why did the minister not proceed in the same manner in announcing his decision regarding the extension of training from four months to the duration of the war? I understand that the order of the minister appeared in the Canadian army orders but was not made public to the Canadian people. In fact that decision of the minister was first announced by Colonel Panet in Montreal, two days, I think, before the minister mentioned it. Why did the minister not inform the Canadian public of his decision earlier, and in the future will orders in council passed by the government by virtue of the mobilization act appear only in army orders or will they be published in the Canada Gazette as soon as they are made?

Mr. RALSTON: My hon, friend was referring to the four months training?

Mr. POULIOT: I am speaking of the two orders in council, one extending the training from one month to four months, and the other extending the four months training to the duration.

Mr. RALSTON: I cannot throw my mind back to say just how the announcement was made, but I know that it was made in the most public fashion possible, either by a statement issued to the press or at a press conference. I have a very clear recollection that one change that was made, and I think it was this one, was announced in a statement made by the Prime Minister himself. I think it was in connection with the four months training that the Prime Minister issued that statement, and I have a half-recollection that it included an indication that the men called up would remain in the army after the four months training for the duration.

Mr. POULIOT: The order in council of March 18, 1941, related to the four months training, but it was only in the following summer, on July 2, that the order regarding service for the duration was signed by the minister. I would tell the minister that I remember the circumstances very well, because that summer I made a scrapbook of what the minister had done and of things pertaining to his department. I remember distinctly that the first announcement of this order was made by Colonel Panet in Montreal, and it was two or three days afterwards that the minister confirmed what Colonel Panet had said. The first news was given by Colonel Panet in a somewhat haphazard manner. I know that my memory is correct, and I could substanti-ate it by evidence if I were strong enough to bring my big scrapbook to the committee to-morrow.

Another thing which one has to understand well is that the position of the three war departments is not at all the same. Those who enlist in the naval service or in the air force do so voluntarily. They are volunteers, sailors or airmen as the case may be, and therefore the Department of National War Services has nothing to do with the Department of National Defence for Air and the Department of National Defence for Naval Services.

It must also be understood, as indeed it is understood by every hon. member, that the Department of National War Services is the feeder for the Department of National Defence, to bring in more men for that department, men who did not enlist voluntarily in the army. The Minister of National War Services thus is the milkman for the Minister of National Defence, and he brings in cream, butter, eggs and milk, and in a very nice way. Men are requisitioned by the Department of National Defence, and that requisition for men goes to the Department of National War Services in the same way that requisitions for material from the Department of National Defence go to the Department of Munitions and Supply. The Department of Munitions and Supply is the feeder in material just as the Department of National War Services is the feeder in manpower and woman-power.

To understand it all well one must remember that the old school tie is strong at headquarters. I see my hon. friend the Minister of Pensions and National Health (Mr. Mackenzie), who was in the Department of National Defence for some time, smiling broadly. He knows I am telling the truth. One must also remember what is a mummy. A mummy is an old Egyptian person tied up in tape, and it is the same thing with the brass-hats in the Department of National Defence. They are like old Egyptian mummies tied up in red tape. others. By way of illustration may I give the impact of the agricultural regulations which were enacted and made effective as from March 24. The impact is greater in some areas than it is in others, and affects the pool of manpower to a greater extent in one administrative division than in another.

Mr. GREEN: But how many notices will have to be sent out in order to get 25,000 men?

Mr. THORSON: I was informed that in the Toronto division, for example, for the July call approximately 20,000 notices had to be sent out.

Mr. GREEN: To get how many men?

Mr. THORSON: To fill the quota for administrative division B located at Toronto.

Mr. GREEN: What is the quota?

Mr. THORSON: About 2,400 or 2,500 men.

Mr. ROSS (Souris): I noticed in a press report not long ago that in one province it was necessary to call 10,000 men in order to fill a quota of 600; is that correct?

Mr. THORSON: I would prefer to have the actual figures before me. However, the figure varies in different administrative divisons by reason of the facts I set out a moment ago.

Mr. CHURCH: How many of the 25,000 would be allotted to each province?

Mr. THORSON: The requisition comes to the Department of National War Services from the Department of National Defence, and it is broken up into very great detail, indicating the various training centres or depots to which the men are to report. The desire is to fill the training facilities of the various centres as efficiently as possible. If there are not enough men available in one administrative division to fill the requisitions for the various training centres or depots in that particular division, then a call is made on a neighbouring division.

Mr. BOUCHER: Would the minister give some further explanation of the point raised by the hon. member for Lake Centre wherein he stated that higher age groups are resorted to in some military districts than in others, when the call is sent out. A short time ago the Minister of National War Services stated that the pool of available men in administrative district C, covering that portion of eastern Ontario located around Ottawa and, I believe, a portion of Quebec, had been raised to a higher category. I understand [Mr. Thorson.] that was done along with one or two other divisions in the dominion. I believe at the present time men in this division in their early thirties are being called, while in other divisions they are not being called in such high categories. I can appreciate that where there is some difference in the available men, the ratio of allotments for men required for military service may vary. But in this particular area, administrative division C, we have an agricultural district in which we are suffering from a great shortage of help. I know that in my community large quantities of hay will not be harvested because of the shortage of farm help.

That is a critical condition. If the department goes ahead and calls up men in their thirties, up to the age of forty in this division, it is going to leave a very critical situation, one which is even more accentuated than it is now. It is critical now, so far as farm help is concerned. I should like to have from the minister a more detailed explanation than we have heard to date as to why such a situation should exist.

Mr. THORSON: The reply to the hon. member is exactly the reply I made to the hon. member for Vancouver South. As the pool becomes less in any one division, naturally the age groups called go up.

Mr. BOUCHER: Would the minister explain why the department raises the age group in a particular division instead of exhausting the already existing age group in another division, and filling up the quota in that way?

Mr. THORSON: Every single man or widower without child or children from twenty to forty in every part of Canada is subject to the proclamation.

Mr. BOUCHER: Subject to the proclamation, yes; but not actually being called. The result is that in some districts higher age groups are being called, while perhaps in a neighbouring district a smaller age group has not been exhausted. I should like to have an explanation of that point.

Mr. POULIOT: I hold in my hand a copy of *Hansard* in which orders in council were explained by the Minister of National Defence for Air, a colleague of the Minister of National Defence. By P.C. 4904 of September 17, 1940, the period of thirty-days training was ordered, and that order in council was published in the *Canada Gazette*. By P.C. 1910 of March 18, 1941, the thirty-day period was extended to four months, and that provision was also published in the *Canada Gazette*. Afterwards there were some regulations described as "reserve army special Mobilization Act than to the two sections now before the committee. The general administration of the act will come up for discussion at another time. I do not believe the remarks of the hon. member are sufficiently relevant to the two sections now before the committee.

Mr. MacINNIS: I did not think the points of order raised by the Chair this evening were well taken, because my understanding of this bill is that it amends the National Resources Mobilization Act, 1940.

The CHAIRMAN: In one particular.

Mr. MacINNIS: Very well. Section 2 of this bill amends section 2 of the 1940 act, and in discussing section 2 of Bill No. 80, we must discuss it in relation to the other part of this section of the National Resources Mobilization Act. Otherwise section 2 taken by itself does not make sense and has no substance. Sections 2 and 3 which the committee, I think wisely, have decided to consider together, make a whole; and everything contained in section 2 of the National Resources Mobilization Act is, I submit, a proper subject for debate at this time.

The CHAIRMAN: It might be shorter to listen to the remarks of the hon. member.

Mr. MacINNIS: Yes. However, I do not wish to debate the matter further. I will take it up, possibly in a more satisfactory way, with the Minister of National War Services.

Mr. THORSON: I shall be very glad to satisfy my hon. friend as to the situation now existing.

Mr. STIRLING: I do not think the Prime Minister replied to the question of the hon. member for Lake Centre with regard to the intention of the government in the matter of the lottery. The remarks of the Prime Minister on March 24 were so distinct that I know a great many people in Canada have been wondering when the lottery system was going to be commenced. The right hon. gentleman said, at page 1566 of *Hansard*:

In other words, the age limit for compulsory service has been raised from 24 to 30. It has also been decided to select the men to be called up for service by drawing lots over the whole field of those who are subject to the proclamation. As soon as the necessary administrative arrangements have been worked out for this plan of selection by lot, a detailed announcement will be made by the Minister of National War Services.

Has the government decided to give up the method of choosing by lot, or when does the Prime Minister expect it to be commenced?

Mobilization Act

Mr. MACKENZIE KING: The information I gave to the house at that time came to me from the Minister of National War Services, who is in the house this evening and who, I understood intended to make some reference to the matter. I would ask him to do so now.

Mr. THORSON: I informed the hon. member for Lake Centre that the system of selection by lot would not be in effect for the August call, and that I was not sure whether it would be in effect for subsequent calls. When the Prime Minister made the statement about selection by lot he further stated that detailed plans with regard to the change from the former system would be announced by the Minister of National War Services when the administrative details had been worked out. I have found that the administrative details are more extensive than I had at first imagined. Furthermore, the call for the month of July, and the proposed call for the month of August, are substantial calls, and the various administrative divisions are concentrating their attention upon the important work of filling the requisitions that come from the Department of National Defence. The question of working out the administrative details, which are quite complicated in connection with the system of selection by lot, is being put aside for the time being. Whether it will be desirable to put such a system into effect in the light of all the circumstances and in the light of the heavy call is, as I indicated in my reply to the hon. member for Lake Centre, a matter which is under consideration.

Mr. CHURCH: Will the minister withdraw the lottery principle altogether?

Mr. THORSON: I indicated in my reply to the hon. member for Lake Centre that the question was under consideration.

Mr. CHURCH: You cannot beat Hitler with lotteries; he will beat you every time at that.

Mr. GREEN: Is there anything in the press report that in order to get 25,000 men it will be necessary to call 250,000?

Mr. THORSON: There has been some misunderstanding of the situation. The number of men who will be available in any particular division will depend upon the manpower pool still left there after all the various factors, such as voluntary enlistments which have already taken place in a particular division, and deferments or postponements for one reason or another, have been taken into account. I indicated earlier in reply to certain questions that the man-power pool available in some divisions was less than in

done by a committee. I realize that it could not be done now, but I suggest that when we come back again such a committee be set up. They could also consider the regulations passed by the wartime prices and trade board. There is a great deal of misunderstanding in connection with those regulations, and it would help a great deal if they were considered by some committee of this house.

Mr. MACKENZIE KING: The last part of the hon. member's remarks was rather reassuring, where he spoke of having a committee at another session. I have a certain sympathy with his outlook and would be inclined to consider carefully in the interval what steps might be taken to meet his wishes. But I would not think it advisable to attempt such a committee at this session.

Mr. GREEN: Yes; I realize that, and said so.

Mr. CHURCH: Many will be called but few chosen. Hitler may arrive first.

Mr. MacINNIS: There is a matter I want to bring to the attention of the Minister of National Defence, and I must do so to-night for fear I shall not have another opportunity before the session ends. It has been brought to my attention that certain employers are notifying their employees that under these war services regulations the government has made arrangements with them by which the government accepts the categories in which the employers place their employees in priority for calling them for service. If the minister would like to have the point made with a little more clarity, I should be glad to read a letter sent to each of its employees by a large company in British Columbia.

Mr. RALSTON: I know of such a suggestion from the Department of National Defence with respect to the reserve army. I know of no such suggestion from the Department of National Defence with regard to the active army. It must be some suggestion from the Department of National War Services or one of its boards, because I do not think the Department of National Defence has made any arrangement of the kind. Perhaps my hon. friend is dealing with the reserve army; is he?

Mr. MacINNIS: No; it affects all services. The first category is A, covering employees who the management consider should be available to the company at all times and who should not join the reserve army, A.R.P. or other civilian protection organizations.

Mr. RALSTON: That is the point; it is the reserve army, the A.R.P. or other civilian organizations. It has nothing to do with the active army.

[Mr. Green.]

Mr. MacINNIS: Then there is the next category, B: employees who may join outside organizations other than the reserve army, but whose services with such organizations should be available only outside regular working hours. Then there is category C: employees who may join any of the services, active or reserve, but who, before doing so, should give their immediate superior proper notice. Then the last paragraph reads:

Telephone service is a vital necessity in every phase of military and civilian war activities and this is recognized by the government, who have left it to the management of the company to arrange for the retention of adequate trained personnel to maintain service.

The companies concerned, I am told, are using this agreement with the government or with the Department of National War Services, however you like to put it, to discriminate as between employee and employee. If they have one employee who has been active in trade union work they put him in category C, even though because of age, physical condition and for other reasons he should be in one of the other categories. I have these examples before me. This is a very dangerous and serious situation, when one employee finds himself discriminated against because of his labour activities; finds himself in such a category that if and when he is called, the company will make no effort to have his services retained, while another person who may be younger and more physically fit will have the company intercede on his behalf. I want to tell the ministers concerned that this is having a very serious effect on the morale of those working people who are likely to be called for military service.

Mr. RALSTON: I should like to hear more about this, because if it has anything to do with the active army I am very much interested. May I say to my hon. friend that so far as I know there is no tribunal with any power to make any decision with regard to whether or not a man shall receive a postponement as far as his services in the active army are concerned, except the boards appointed under the department of my colleague the Minister of National War Services. If any other body is doing that or attempting to do it, it is acting absolutely without authority, as I understand the situation.

Mr. MacINNIS: I should be glad to furnish the information I have to both the Minister of National Defence and the Minister of National War Services.

The CHAIRMAN: I should like to point out that the remarks of the hon. member have been directed more to the general administration of the National Resources once and for all what this government will do, in a voice that will be heard all across Canada. Let them tell the people that delay and procrastination and expediency will no longer be considered as necessary elements in Canada's war effort.

Mr. FRASER (Northumberland, Ont.): That is the speech of a leader!

Mr. DOUGLAS (Weyburn): A few minutes ago I asked the Prime Minister two questions. I am satisfied with the answer to the first, but far from satisfied with the answer to the second. The Prime Minister gives, as the only reason for not bringing down some bill containing these regulations, the element of time. He said nothing to refute the advisability of having such a bill. It seems to me that the argument of time is not a very strong one. The government started moving in this direction in June, 1940; in the speech from the throne in January of this year they intimated that they were going to ask the people to release them from certain moral obligations. The government have had these regulations under which men have been called up now for nearly two years. Surely it would not have been difficult to have these framed into a bill and have it brought down in the house during this session. It seems to me that the time of members of the House of Commons is not nearly as important as the effect on the morale of the people of Canada if we proceed to conscript human life in this country on the basis of a series of regulations administered by a series of boards, each of them administering and interpreting the regulations in their own way, with various age groups called up, and different bases upon which postponements and exemptions are granted. As the war progresses, the feeling between different parts of Canada, whether justified or not, that some parts are being discriminated against and some favoured, is bound to rise. It seems to me that the few days or even weeks it might take to pass such a bill would be fully justified by results.

As a matter of fact, the party of which the Prime Minister is leader fought its most heated political battle in 1917 around this very issue, when it refused to give the Union government of that day power to conscript human life by regulation, and insisted that the clauses and conditions under which men would be called up should be placed on the statute books. The Prime Minister says that what the government want most is with all possible speed to get this power. That does not jibe very well with the statement he made on July 7 that they propose to refer this matter back to parliament for a vote of confidence, and if parliament is not sitting,

Mobilization Act

to take the few days to call parliament together. If he is going to have time to call parliament and refer this matter back for a vote of confidence, he certainly could find time to bring a bill down in this house and, if necessary, refer it to a special committee and place something on the statute books that will be uniform, standardized, so that the people of Canada from the Atlantic to the Pacific will know that the same conditions, the same responsibility, the same obligations, rest equally and equitably upon all Canadians and that there is no loophole for possible discrimination, favouritism or partisanship. The feeling that there is such a loophole is bound to occur in war time unless every possible precaution is taken against it. It seems to me that it would be in keeping with the tradition of the government's party to bring down such a bill and thereby assure the people of Canada that the conscripting of human life is done on the most fair and equitable basis possible.

Mr. MACKENZIE KING: There is this difference between the situation in 1917 and that to-day. In 1917 all the regulations had still to be framed. To-day we have regulations that have been in existence since the National Resources Mobilization Act was passed. The act has been on the statute books now for a couple of years; the regulations have been framed; action has been taken under them; they are known, and what is perhaps most important of all is that the years have brought experience in the framing of regulations, the benefit of which could not have been obtained in any other way. The regulations that will govern hereafter will be, as I said a moment ago, to all intents and purposes the same regulations, only made applicable over a wider area. Therefore the necessity for any legislative enactment setting out the regulations at this time is entirely different from what it was in 1917. It is correspondingly unnecessary.

Mr. GREEN: In connection with the suggestion of the hon. member for Weyburn, does the Prime Minister not think it might be wise if a special committee were set up whose duty it would be to consider such regulations as are passed from time to time under the National Resources Mobilization Act?

An hon. MEMBER: No, there are too many committees.

Mr. GREEN: Those regulations affect the lives of hundreds of thousands of Canadians and affect them drastically. It would go a long way toward doing away with misunderstanding if the representatives of the people in this house were able at least to go over the regulations carefully. This could very well be

system in order to distribute the call equitably across the dominion. My question is this—and I submit that it is relevant and one on which the people of Canada have a right to have information: How is this act when amended going to be carried into effect? Here we are in the month of July calling up 25,000 men, not on the basis of population in the various provinces, but in a haphazard manner, and in the month of August, 15,000—

Mr. RALSTON: It is the other way about; 15,000 in July and 25,000 in August.

Mr. DIEFENBAKER: Well, 15,000 in July.

Mr. RALSTON: I do not call them. The Minister of National War Services (Mr. Thorson) is not here at the moment, but they are called on the basis of population.

Mr. DIEFENBAKER: I will come to that in a moment. There will be 15,000 in July and 25,000 in August—

Mr. POULIOT: And 35,000 in September.

Mr. DIEFENBAKER: What the number will be in September we do not know yet. The minister says they are being called up according to population. I have here a return brought down on July 20 in answer to a series of questions which I asked over six weeks ago in order to ascertain the position of affairs in so far as the man-power situation in Canada was concerned. This is the question I asked:

Has a survey been made by the government with a view to ascertaining how many men are still available for military service in each of the foregoing classes?

That is the classes from eighteen to fortyfive years of age.

If so, who made the survey and when was it made?

How many men were estimated to be still available for military service by provinces, military districts and/or administrative divisions in each of the said age groups?

Surely, after nearly three years of war the government should be in a position to tell the people what it will do with the powers that are being given under this act, what its plans are, how many men will be allocated to agriculture, how many to industry and how many to the armed services of the country. Yet here is the answer given by the government:

The question of the number of men available for military training in the age groups subject to proclamation is under continuous consideration by the registrars of the administrative divisions and the mobilization division of the Department of Natonal War Services. It is not possible to say definitely at any given time how many men are still available for military

[Mr. Diefenbaker.]

training in each division until after the necessary deductions have been made for voluntary enlistments, persons rejected on application for enlistment, men unfit for military service, men essential to war industries, persons wholly or mainly employed in agriculture within P.C. 2252, persons whose military training will be postponed as conscientious objectors, et cetera, in the national interest, et cetera.

That is the answer of the government to the people of Canada-it reveals no planno survey. No one knows what will happen when this act is amended, who will be called, how many will be called. There is continuing uncertainty and delay. I ask the government to tell the people to-night-not next September, October or December, but to-nightwhat they may expect, what the plans of the government are, and whether the main effort of this dominion will be concentrated, in the armed services, in agriculture or in industry. Surely it is time that this government, having had ample opportunity since March 24, should give a better answer than was given yesterday by the Minister of National War Services. When I asked him if the lottery system would be brought into effect, he said, "The question is being given reconsideration". Does that mean that a decision was made that it would not be brought into effect and that the matter is now being reconsidered? The Minister of National Defence says that they call the manpower of this dominion according to population-

Mr. RALSTON: I said I did not make the call, but I assumed or understood that that was so.

Mr. DIEFENBAKER: Then why is it that in certain districts in Ontario, according to the return brought down here yesterday, they are calling men from twenty-five to thirty years of age, and that in other parts of Canada they are not calling them beyond twenty-three and twenty-four? Is there any equity or equality of service in that? I ask the government to-night in the interests of the morale of this country, in the interests of the men in the services, in the interests of the people as a whole, to announce its policy and plan definitely once and for all.

The Prime Minister says we will wait until conditions get worse and then, after we decide as a government to bring into effect conscription for overseas service, parliament will be called. Surely with conditions as they are to-day all over this world no one can say that they could be much worse. I ask the government—not in a critical sense, there has been nothing critical in the words I have spoken to-night—I implore the Prime Minister and the government to tell the people

in the form of an act. To introduce further legislation at this session would help to defeat one of the main purposes of this legislation, namely to get into the hands of the government, as soon as possible, the power which it is desirable it should have at this particular time.

Mr. ROSS (Souris): Just to follow up this question which the Prime Minister has just answered, is it still the intention, if the order in council he has mentioned is passed, that before it can become effective he shall consult parliament for a vote of confidence, as he stated in one of his speeches on the second reading?

Mr. MACKENZIE KING: I shall have something to say about that a little later on.

Mr. ROSS (Souris): I think it has a distinct bearing on these sections, because I know, as one of the members of this house, that many people throughout the country, especially in the armed forces, have not very much confidence in the government as constituted with the present leader; they pin their faith to the ministers of the armed forces.

Mr. MACKENZIE KING: Well, it is because of hon. members like my hon. friend who has just spoken that I have felt it absolutely necessary to have an expression of the confidence of this house before I undertake to put into force any conscription act with respect to service overseas.

Mr. DIEFENBAKER: As soon as these amendmen's are passed, those men called to service under this bill will, subject to proclamation, be available for service overseas, subject to further submission to parliament, or whatever the scheme is which the Prime Minister intends to follow.

Mr. MACKENZIE KING: There is no submission to parliament with regard to conscription. Let me make it perfectly clear that, so far as coming back to parliament for any purpose is concerned, there will be no coming back to parliament for a second debate on conscription, nor will there be any coming back to get the approval of parliament of the decision made. When the government makes its decision that decision is made, and it will be carried out either by this government or by some other government. It will not have to be approved by parliament first. The question whether or not a ministry headed by myself will enjoy sufficient confidence in the minds of hon. members of this House of Commons and of the people of this country to administer conscription, once it has been decided that conscription for service overseas shall be enforced, is a separate matter, and it is a matter on which I shall wish to have an expression of confidence.

Mr. DIEFENBAKER: The point I was coming to is this. As soon as these amendments are passed, all men will be called up and will be subject to service overseas.

Mr. MACKENZIE KING: That is right, once an order in council to that effect is passed.

Mr. DIEFENBAKER: Once an order in council is passed, as the Prime Minister says. Then the matter of the call-up of these men becomes very important. Parliament places the power in the hands of the government to determine when and if these men shall be sent overseas. The time has come for the government to place before this house the plans it has in reference to the calling up of men. The present scheme of calling up men is working a detriment to industry and to agriculture. It is not distributing the sacrifice fairly across Canada by provinces and according to population. Some months ago, on March 24, the Prime Minister announced, when he referred to orders in council in reference to man-power that had been passed, that a proclamation was being issued. I quote from page 1566 of Hansard:

A proclamation is being issued making liable to call for military training and service all men born in the years from 1912 to 1921, who on July 15, 1940, were unmarried or widowers without children. In other words, the age limit for compulsory service has been raised from 24 to 30. It has also been decided to select the men to be called up for service by drawing lots over the whole field of those who are subject to the proclamation. As soon as the necessary administrative arrangements have been worked out for this plan of selection by lot, a detailed announcement will be made by the Minister of National War Services.

The Prime Minister recognized on March 24 last that the scheme of calling men then in effect and still in effect was not such as would fairly distribute the call across the dominion, and announced that, in order to carry into effect the scheme he had in mind, the lottery system would be adopted.

The CHAIRMAN: I am afraid the hon. member is too far afield. Sections 2 and 3 are not capable of supporting the line of reasoning he is now developing.

Mr. DIEFENBAKER: What I am trying to find out and what the people of Canada want to know is this. What is this government going to do with the power when it is given it? How will the scheme be administered? On March 24 the Prime Minister promised the establishment of the lottery

second reading, I should like to ask two questions arising out of the second objection, the matter of requisitioning human life by order in council. The first is this, what is the intention of the government with reference to this order in council? For instance, will it be an order in council which will place all men that have been or are likely to be called up under the National Resources Mobilization Act on an active service basis? In other words, will there be an order in council wiping out the distinction, so that we shall no longer have two armies in Canada, but one, or is it the intention of the government merely to pass a series of orders in council calling groups of men from the army in Canada, the garrison army, into the active army. It is important that we should know what the government intends to do. If the government intends to do the latter, it means really piecemeal conscription, and it seems to me that the government must have some intention in mind now as to their policy. In that regard, do they intend to take the entire National Resources Mobilization Act force and place it on an active service basis, not necessarily sending it overseas, but wiping out all distinctions, or do they intend merely on a piecemeal basis to call a unit here and a unit there, pass an order in council and send such units overseas?

Second, in view of the fact that this is enabling legislation, will these men continue to be called up for active service overseas on the basis of the war service regulations at present in existence? I doubt if many hon. members know fully what these war service regulations are. They have been amended from time to time. Orders in council have been frequently passed. On March 24, the Prime Minister tabled orders in council Nos. 2250, 2251 and 2252. The last order in council said this:

A board-

That is the national war services board.

-subject to the approval of the minister, may make rules not inconsistent with these regulations for its guidance and to govern its procedure.

I am not going to repeat what has been gone over so often, particularly when the national war service estimates were up, but it is common knowledge that the rules passed by these boards, that is the sets of interpretations issued by them, vary from military district to military district. These regulations are open to various interpretations in various places. I am sure there is hardly one hon. member from a rural constituency who has not come across the fact that men have been called up since March 24 who were totally ignorant of the fact that order in council 2252 had been passed; they have been called up despite the fact

[Mr. T. C. Douglas.]

that they were bona fide farmers on farms on March 23. Apparently the board has paid little or no attention to that unless the man was in a position to make his plea on the basis of that order in council.

I should like to make an appeal to the government. It seems to me it would be much more satisfactory to everyone concerned to incorporate all these regulations and orders in council in a bill, bring it down to this house, have it passed by this house, and leave the proclamation of it until such time as the government decides to pass the order in council placing men under the National Resources Mobilization Act on active service. The act could then be proclaimed, and the men who were subject to call would know what their responsibilities were, what rights and privileges they had, who had the right to exemption and who had not. It would be there in statutory form; it would be the law of Canada, and above all it would be uniform for the whole of Canada. There would be no feeling that it varied from province to province, and that there were different interpretations of regulations in one province as against another.

My questions are, first, how the government proposes to deal with this matter by order in council, and second, whether it would be possible to put these regulations into a bill and have it passed by this house and proclaimed when and if this government decides it is necessary.

Mr. CHURCH: This is all shadow-boxing.

Mr. MACKENZIE KING: When the government decides that it is necessary and advisable to resort to conscription as a method of raising men for service overseas, an order in council will be passed dealing with members of the forces as a whole. It will not be a matter of passing a series of orders in council, but one order in council will cover the entire force. That, I think, answers my hon. friend's first question.

As to the second, what he proposes is further legislation at this session of parliament, the introduction of an act which will amount to a military service act or something equivalent to it. My hon, friend will realize that that would mean a second debate, which would resolve itself into going over, time and time again, very much the ground already covered, notwithstanding that at the present time we have the existing regulations in reference to the calling up of men under the mobilization act. Any regulations that will be passed with respect to service overseas, I should say, broadly speaking, would be similar if not wholly identical. I cannot see wherein it is necessary to embody all these regulations

Mr. CARDIN: Where is that restriction in the bill?

Mr. RALSTON: The restriction is that the power is given to the governor in council by the bill, and not to the Minister of National Defence.

Mr. RAYMOND: At the present time is an order in council required to send overseas those who have enlisted voluntarily?

Mr. RALSTON: You do not need a special order in council for that.

Mr. RAYMOND: But their expenses have to be paid.

Mr. RALSTON: The order in council is passed when the war appropriation bill is enacted. Then the treasury board makes certain allotments to the Department of National Defence for certain specific purposes, and out of these moneys are paid the transportation costs.

Mr. RAYMOND: But you will require an order in council to send them overseas?

Mr. RALSTON: That is all we require now. The act as it stands now authorizes the governor in council to call upon person's and property for any purpose within the scope of the act, subject to this, that the government cannot under the present powers require persons to serve compulsorily outside Canada. The governor in council has passed an order in council requiring men to serve but has placed a limitation in the order in council similar to that which is contained in section 2, to the effect that they shall not be required to serve outside Canada. After this section 2 is repealed, if the governor in council takes action to require them to serve overseas, then that is effective, but not on the action of the Minister of National Defence, not until the governor in council has actually authorized it.

Mr. CARDIN: In that case there would be no necessity for an order in council to send them overseas. The order in council, as I understand it, is to call up the trainees by classes, and once they are called up they come under the Department of National Defence and are in the same position as the volunteers.

Mr. RALSTON: It depends, of course, upon the terms of the order in council which is to be passed under the terms of the unrestricted measure. I cannot forecast what the terms of the order in council will be. An order in council might be passed giving the Minister of National Defence power to call them and to prescribe the service they shall

be called upon to do, or it might reserve that to the governor in council. One would think that the order in council would provide that those called up shall be liable for service anywhere, and that liability would be actually put into effect on the order of the Minister of National Defence. That is exactly the procedure which prevails now in regard to calling up trainees for service in Canada. At the present time the governor in council by order in council prescribes that men who are called up under proclamation are subject to the order of the Minister of National Defence as to their training, duty and service, but there is a limitation that they shall not be required to serve outside Canada. If a new order in council were passed under the unrestricted measure, I would assume that that restriction would be left out, and under those circumstances the Minister of National Defence would have power to order them overseas, but only after the governor in council has made the decision and formally executed that decision by an order in council.

Mr. DOUGLAS (Weyburn): Sections 2 and 3 of this bill provide only for the words which are to be deleted. It seems to me that in order to discuss the meaning of these two sections properly we have to realize how they stand when the words proposed to be deleted are taken out. Section 2 will then read:

The governor in council may do and authorize such acts and things, and make from time to time such orders and regulations, requiring persons to place themselves, their services and their property at the disposal of His Majesty in the right of Canada, as may be deemed necessary or expedient for securing the public safety, the defence of Canada, the maintenance of public order, or the efficient prosecution of the war, or for maintaining supplies or services essential to the life of the community.

Actually what happens, apart from the promise made by the Prime Minister, which was contingent upon his remaining head of the government, is that when Bill No. 80 is passed by the house the government will have complete power for the conscription of all the resources of Canada for service anywhere in the world.

I should like to direct two questions to the minister who is piloting the measure through the house. The group with which I am associated here raised two objections to this piece of legislation: first, that it did not provide for the conscription of wealth and industry, and second, that the terms and conditions under which men would be called up for service overseas were not being set out and that the conscription of men would be by order in council. Leaving aside the first objection, which I think was dealt with adequately on the graduating class. In the month of June, out of a graduating class of 329, no less than 121 were French Canadians. In attendance at[•] that time at the school were 1,106 officers, 305 of whom were French Canadians.

The committee will remember that the officer in command of this school is none other than Colonel Milton Gregg, V.C., the Sergeantat-Arms of this house, who came back from England with a distinguished military record. The chief instructor at that school is Colonel Blais, a distinguished French-Canadian officer.

I should like to say a word or two with reference to army instruction manuals. A special organization under the direction of the general staff has been set up to translate all military literature previously published only in English, and now more than 100 manuals which heretofore had not been translated into French are available in French to students of the various army training centres.

Recently the minister announced the appointment of Major-General P. E. Leclerc as the commander of the 7th division. That appointment was well received all across Canada. I hope that the minister will be able before long to announce another such appointment.

The 7th division will have an all French-'Canadian brigade group consisting of an artillery regiment, engineering company, signal sections, three infantry battalions, one machine-gun battalion and field ambulance, army service corps and ordnance units. This brigade will be commanded by Brigadier J. A. Leclaire, who has recently come back from England with an excellent record.

During the year 1942 one bilingual infantry battalion, the Sherbrooke Fusiliers, has been incorporated into the 4th armoured division. A French-Canadian battalion will hereafter form part of the army tank brigade of the second Canadian army. The army programme for the present year includes the formation of the following French-Canadian units: A regiment of medium artillery R.C.A., a battalion of engineers, five field batteries R.C.A., a searchlight battery R.C.A., five infantry battalions, an ordnance corps unit, a field ambulance, a general hospital, a provost company and a forestry company.

My hon, friend the member for Témiscouata asked a moment ago about the training centre at Cornwall. That training centre is commanded by a French-Canadian officer.

Mr. POULIOT: A French-Canadian officer who does not speak a word of French.

Mr. CHEVRIER: My hon. friend apparently is not in possession of the facts. Colonel [Mr. Chevrier.] Larose, whom I know personally, the officer commanding the training centre at Cornwall, speaks French fluently.

The roll of French-Canadian regiments on active service in Canada and overseas already constitutes an impressive representation. It follows from this that French Canadians are playing a more and more important part in the army. It is unfortunate that the treatment meted out to them in this war was not accorded to them in the last war and since, because had that been done we would not have had what is happening at the moment. French Canadians in the Canadian army are on the way to writing in the military annals of Canada a page that forever will be to their pride and honour. Had it not been for the sympathetic understanding of the Minister of National Defence, this could not have been accomplished. Again I commend him heartily, and I have every reason to believe that any inequalities which may now or hereafter exist will be made to disappear.

Mr. RAYMOND: I should like to have some information from the Minister of National Defence with reference to the trainees who have been called up under the National Resources Mobilization Act. When this bill is passed there will be two classes of trainees, as indeed there are at the present time: those who have enlisted voluntarily for service overseas, and those who have been called to a training centre under the act. I understand that there is a difference between these two classes, that those who have been called up under the mobilization act cannot be sent overseas. What will be the difference between these two classes when the bill is passed. Will those who have been called up under the mobilization act one month ago or two months ago or six months ago be liable to be sent overseas as soon as this bill is passed, like those who have enlisted voluntarily for service overseas? I should like to know exactly what their status will be.

Mr. RALSTON: The governor in council would have power under this amendment to make them liable to be sent overseas, but the passing of this bill does not make them liable. There has to be one further step, a decision to send them overseas and action by the government to put that decision into effect.

Mr. RAYMOND: But the Minister of National Defence, once this bill passes, will have the right to send them overseas just as if they had enlisted voluntarily?

Mr. RALSTON: Not until the government has so decided.

which appeared in the Ottawa *Journal* of May 25. This article quotes General McNaughton from somewhere in England, and reads as follows:

Lieut.-Gen. McNaughton, commander-in-chief of the Canadian army overseas, disclosed in an interview that there has been a gradual increase in the number of French-Canadian officers in responsible army posts. "Obviously", the general said, "we cannot form overnight among the French Canadians as many leaders as we would wish but, gradually the number in responsible posts is increasing. I have always had in mind a plan to which I firmly adhere, that of including within the framework of commands a number of French-Canadian officers in proportion to the number of French Canadians in the Canadian army."

Paying tribute to the work of the soldiers of French Canada, the army chief said, "I assure you that the French-Canadian troops are well entrenched and they are acquiring military polish in marvellous fashion".

"It goes without saying that at the start, certain Canadians of the French tongue encountered some difficulty in expressing themselves in English and in understanding thoroughly what they were being taught", Gen. McNaughton said. "But, in one way or another, we adapted ourselves to this situation."

"Thus, advanced military training is given in English, but when it arises that a French Canadian has trouble understanding the instructions, he is given a preparatory course in order to help him complete his training with the same facility as his English colleagues. In this respect, it must be said that we have received all the necessary sympathy and encouragement."

I presume the sympathy and encouragement to which General McNaughton refers are the sympathy and encouragement he has received from the department.

Next I would point out to the committee that there were set up in a number of important centres across Canada civilian committees composed of prominent French-Canadian citizens whose duty it was to seek out—

Mr. CHURCH: I rise to a point of order. Has this speech anything to do with sections 2 and 3? I suggest it has not.

Mr. CHEVRIER; This speech has to do with section 3, because it concerns persons who will hereafter serve in military units overseas. I am speaking at the moment of those who are being prepared for that service.

The CHAIRMAN: It is permissible for an hon. member to state his reasons why he believes sections 2 and 3 should be enacted, and the reasons for which he favours those sections. The general principle of the legislation cannot be discussed, but the member may say why sections 2 and 3 of the bill would properly carry out the principle indicated on second reading. The ruling is not debatable, of course, but I would point out

to the hon. member for Broadview that when I ruled him out of order he was discussing •the principle of the bill, which should have been done on second reading.

Mr. POULIOT: If one hon. member has the right to say he is for it, we must have the right to say we are against it.

Mr. CHEVRIER: When the point of order was raised I was pointing out that civilian committees were set up, and that prominent French-Canadian citizens had accepted it as their duty to seek out officer material, make recommendations and find out what qualifications the men possessed. It was then up to the district officer commanding to approve or reject the recommendations. In military district No. 3, Kingston, I am happy to say that eighty-two young French-Canadian men have been selected because of their qualifications to be sent to advanced training schools.

Then, again, it is important to know that a special school for these young men was opened at St. Jerome, in the province of Quebec. At that point young potential officers are given one month's basic training. If they qualify after that time they are sent to the cadet wing of the school, at which point they are given another month's training similar to a sort of pre-training for officers. In both instances it is to be remembered that these young men receive their instructions in the French language from French officers and French instructors. They receive it in their own language. If they are found to be up to standard they are sent to the officers training centre at Brockville, where they receive four months training. Again they receive the training in French, if they are unable to understand English. At that point they mingle with their English-speaking compatriots from all across Canada. Besides the Brockville training school and the preparatory school at St. Jerome, a bilingual school for non-commissioned officers was set up at Megantic, in the province of Quebec. This school has the task of supplying Frenchspeaking instructors for military training. centres in eastern Ontario, Quebec and New Brunswick. The number of these instructors is proportioned to the number of French-Canadian soldiers. In the officers' training centre the proportion is even higher.

In Brockville the staff is made up of both French- and English-speaking instructors, so that language is no handicap either in the classroom or at the examination table. Last March, as the house probably knows, at one graduation exercise at the officers' training centre in Brockville, French Canadians constituted more than a quarter of the total dignity of that high calling, our ancestors have turned a savage wilderness into a glorious empire; and have made the most extensive, and the only honourable conquests, not by destroying but by promoting the wealth, number and happiness of the human race.

This is the darkest hour of the war. During the seven months we have been sitting here talking about what changes might be made in the mobilization act, what has been happening in the world? Up to date we have lost the war, with all the defeats we have suffered on land, on sea and in the air. Even before we adjourn the enemy may be up the St. Lawrence. A great Frenchman, Sir Etienne-Pascal Taché, said:

If this country ever ceases to be British, the last shot for the preservation of British sovereignty in America will be fired by a French-Canadian.

On the monument to Wolfe and Montcalm in Quebec this inscription may be seen:

Valour gave them a common death, history a common fame, and posterity this common monument.

We must get back to those principles. What is the mother country doing for us to-day? We all know that but for her and her fleet and air force this bill would not be necessary; we would have someone in here, the axis powers, who would not consider referendums, plebiscites and all that sort of thing. As Mr. Lyttleton, the British Minister of Production told the people of the United States, when commenting on the help they are giving Canada and the United Kingdom, the mother country is producing tanks, jeeps and other vehicles at the rate of 257,000 a year.

The CHAIRMAN: I am sorry, but I cannot follow the hon. gentleman. I must apply standing order 58.

Mr. CHURCH: I have a great deal of respect for your ruling, Mr. Chairman. Therefore I may have to make the remainder of my observations on third reading. I do not wish to interfere with the rules of the house.

Mr. DONNELLY: I should like to ask a question arising out of one of the remarks or questions asked by the hon. member for Richelieu-Verchères. Is it not a fact that many men from Saskatchewan called under this legislation are sent to other provinces? Are not some sent to Quebec, some to Ontario, some to Manitoba and some to the other provinces?

Mr. RALSTON: That is so, and for the same reason, namely, a matter of accommodation. As I said before, we try as far as possible to accommodate the men of each province in basic training centres. Sometimes [Mr. Church.] the accommodation is more crowded in one province than in another, and therefore adjustments are made accordingly.

Mr. CHEVRIER: I should like to make one or two observations concerning a group of persons required to serve in the military forces and outside the territorial waters of Canada by virtue of the repeal of section 3, as well as a few observations concerning the group which heretofore were required to serve within the territorial waters of Canada. In other words, I should like to say something concerning the treatment of and the part played by French-Canadian officers and men in the army, the treatment received by them at the hands of the Department of National Defence, and particularly the treatment received by them at the hands of the minister of that department.

Mr. POULIOT: Speak about the Cornwall camp.

Mr. CHEVRIER: During the debate on the bill much was said about conscription. I do not intend to speak on that subject, because perhaps too much has been said already. But little-perhaps too little-has been placed upon the record as to the treatment accorded our people at the hands of the Department of National Defence. Many facilities have been accorded them, and I should like to commend the minister for what he has done in that respect. I should like to say to him how appreciative my people are of what he has done, and I say to him further that he deserves the commendation of all thoughtful French Canadians.

At the outset of the war the people of my race flocked to the colours in the same proportions as did the people of other races. Unfortunately I believe on that occasion some injustices were committed. I refer to the fact that officers in the army were not given ranks in proportion to the number of men who had enlisted. At the moment I can think of certain regiments in eastern Ontario which, after they had mobilized, were sent overseas, and in which to-day few if any French-Canadian officers are serving. I am happy to say, however, that while the position has not been entirely remedied, the department has taken cognizance of it and has by several methods attempted to remedy an anomaly which should never have existed.

I should like to place on record a number of things which have been done to help our people, and to assure the French Canadians that the army belongs to them just as mucn as it does to those of English descent. In this connection I would quote from an article see a total war effort. The government should get on with the war, because men are needed. Since eight o'clock we have had several hon. gentlemen raising various points in connection with this bill. We cannot defend the St. Lawrence by raising points in committee here. As you know, sir, but for the British fleet the enemy would have been up the St. Lawrence long ago, and we would have experienced what they have suffered in all the low countries of Europe; the gestapo, the loud speaker, the whip and everything else.

The CHAIRMAN: I believe the hon. gentleman is speaking to the principle of the legislation, and that would not be in order. We are now on section 2, and we must limit the discussion to the provisions of this section.

Mr. CHURCH: I have great respect for the Chair, but I wish to speak to the principle of the bill—there is one in each section of it—and I gave up my right to do so before the vote was taken on second reading, at the request of the government whip, in order to accord more time to the right hon. Prime Minister. I do not wish to claim any special privilege in that connection, but I do want to speak to the principle involved in section 3.

The CHAIRMAN: We are on section 2. The hon. gentleman cannot speak to the principle of the bill. If he has any remarks to make in connection with section 3, would he please wait until we reach that section?

Mr. CHURCH: I will speak on section 2 if you wish, because the same principle is contained there. Under section 2 the National Resources Mobilization Act did not raise an army, and no one knows that better than hon. members of this house.

The CHAIRMAN: Would it be more convenient for the committee to discuss sections 2 and 3 together? They are somewhat linked together. Is it the pleasure of the committee to take these two sections at the same time?

Some hon. MEMBERS: Yes.

The CHAIRMAN: Carried.

On sections 2 and 3 together—Special powers of the governor in council—limitation in respect of service overseas.

Mr. CHURCH: That is what I was proposing to do, Mr. Chairman, to take sections 2 and 3 together, because now section 2 is out and section 3 is the only one remaining. The principle contained in section 3 is whether you are to limit this measure to home defence and the territorial waters of Canada, or whether it is to extend to Europe, 44561-2883

Mobilization Act

Asia and everywhere else. That is one question, but that is not the question before the people to-day, according to the principle contained in section 3. After the vote was taken on the second reading the Prime Minister said, "We are going to amend this act, but we are going to keep a string on it. We will do so-and-so if, as and when it may be necessary." Then two or three weeks later he added another string, when he said that before this principle could be extended he would have to come back to this house for a vote of confidence, and that parliament would decide in the end.

I want to point out to the hon. members from the province of Quebec that history always repeats itself. The enemy came up the St. Lawrence once before, in 1774, and appeared before the citadel at Quebec.

The CHAIRMAN: Order, please. The hon. gentleman is not discussing the phraseology of sections 2 and 3, as to whether they properly carry out the principles approved by the house on second reading. He is making a speech which would have been in order on the motion for second reading, but under standing order 58 it is not in order in committee.

Mr. CHURCH: Probably I should have spoken on second reading, but if I am ruled out any further I can speak on third reading. I would have spoken for only a very few moments if I had not been interrupted, but if necessary I can complete my remarks on third reading. I do not want to urge this point, but I was promised that I would have an opportunity to discuss the principle of Bill No. 80 when we came to consider section 3.

How are we going to raise an army under the existing legislation? What is the use of blaming the Minister of National Defence, trying to make him the scapegoat, when neither he nor anyone else could get an army under section 3 of this bill? I would defy any minister of the crown to do so, the way his hands are tied by this legislation, with all the strings, the riders and the provisos which were added to section 3. This is not what the people voted for. They voted for a total war effort, and they are not getting it. I just want to remind my colleagues from the province of Quebec that history always repeats itself. Let me refer to a great authority on military affairs, a great statesman and a great friend of the province of Quebec. In 1774 Edmund Burke, referring to the necessity of sending an army then from the motherland to defend the citadel of Quebec, said:

We ought to elevate our minds to the greatness of that trust to which the order of providence has called us. By adverting to the delete those words from the original section 2. That is the only question now before the committee.

Mr. POULIOT: I admit it, sir. The very purpose of section 2 is to withdraw one part which was essential in the section and which submitted the operation of section 2 of the act of 1940 to the provision contained in section 3 of that act, forbidding the sending of our men overseas. The point that is vital and of the utmost importance is precisely the way in which the trainees-call them trainees, draftees, recruits or what you will-are treated in the camps so as to induce them by hard pressure to enlist for service overseas. This is disguised conscription, much worse than open conscription. If we are to have conscription, let us have it in the open way, without concealment, without hiding, without hypocrisy, without high pressure to force those who are called up to enlist voluntarily for service overseas. My contention is that section 2 will be useless, because we already have conscription, not in the statute book but disguised conscription by members of the Department of National Defence, a large number of whom have never seen any theatre of war but who decide upon sending others to the firing line. That is what is being done. The first example should be given by those very men. At times I have been interrupted by hon. members in high standing who said I was not speaking reverently enough of those who were shedding their blood for this country. I was not speaking of them but only of people in the Department of National Defence at Ottawa who have shed their blood only by scratching their fingers when tying red tape.

I should like to have something definite, something clear. I do not want any member of the government to state that we have no conscription, because we have disguised conscription, which I cannot bear. If conscription is necessary, let them take the responsibility for it, although I do not think conscription for service overseas is necessary. But be men; do it in the open. Do not do it by the backdoor; do it by the front door. That is the way to do it. What I cannot stand is the statement that we have no conscription, that everyone is a volunteer for service overseas, when this pressure is put upon them. Although the minister says he does not know about it I know it is true. I know the instructions come to the officers commanding and then are communicated by the officers commanding of the various districts to the colonels or commanders of regiments. That is the way it is done, in virtue of those orders from Ottawa.

[The Chairman.]

The CHAIRMAN: Order. These remarks would be in order on the estimates of the department, but they are hardly in order when determining how we could best carry out the principle of the legislation adopted by the house on second reading. Is it proper that the words "subject to the provisions of section 3 hereof" be struck out? It is not the principle of the legislation we are considering. The committee must decide whether it is expedient to strike out from section 2 the words "subject to the provisions of section 3 hereof."

Mr. CARDIN: On the point of order; the striking out of the words referred to from section 2 is what really matters in the bill. When those words are struck out of that section the government will have the power to conscript for military service everywhere in the world, and I submit that on that very section all the questions relating to mobilization can properly be discussed. When that section is amended it will provide for the government the power by order in council to take the goods and property of any individual and force him to give his service to the country anywhere the government may decide. Therefore I think this is the proper time to discuss all questions pertaining to this matter.

The CHAIRMAN: I agree with the remarks made by the hon. gentleman, except that we cannot discuss here, in general terms, the principle of the legislation. The principle has been decided upon on second reading. The committee has to decide whether section 2 of this bill is carrying out, in a proper way, the principle that the house has adopted.

Mr. CHURCH: I wish to discuss section 2 which links up with section 3 of this famous mobilization act which in many respects has failed to mobilize an adequate army. Section 2 begins:

Subject to the provisions of section ${\bf 3}$ hereof. . . .

Section 3 relates to limitation in respect of service overseas. The original section reads:

The powers conferred by the next preceding section may not be exercised for the purpose of requiring persons to serve in the military, naval or air forces outside of Canada and the territorial waters thereof.

That is to be struck out by this bill, and the only question before the committee to-night is that amendment.

There was a referendum preceding this bill. I do not wish to go into the merits of the question to-night. I have a great deal of sympathy for the government, and I know everyone on this side of the house wants to have been issued up to date, the so-called trainees, after they have reported in district No. 4 or No. 5 in Quebec, have been scattered in certain sections of Canada, particularly in Ontario?

Mr. RALSTON: I would not say it is a fact that most of the trainees have been scattered.

Mr. CARDIN: In the province of Quebec at present is there any training centre in operation where trainees are receiving their instruction as a whole under French-Canadian officers?

Mr. RALSTON: If I remember aright, there are thirteen basic training centres in the province of Quebec, and most of them are under French-Canadian commanding officers.

Mr. CARDIN: What are the reasons to justify the sending of a trainee from the province of Quebec to a military centre in Ontario?

Mr. RALSTON: There may be cases in which the training centres in Quebec are full or in which the particular training centre to which the man has to go, an advanced training centre, does not exist in Quebec; just as, the other way about, there are certain training centres in Quebec which do not exist in other provinces—machine-gun and forestry training centres, for example.

Mr. CARDIN: I can understand the answer in regard to advanced training centres, but what about the young man who was called last week, say, and was sent, as soon as he reported to the office in Montreal, to Camp Borden in Ontario?

Mr. RALSTON: I cannot tell my hon. friend at the moment, but if he will give me the individual case I will find out. Generally speaking, basic training takes place in the province in which the man is, unless the training centres are full or there are not sufficient facilities or accommodation.

Mr. POULIOT: What are the instructions that are given by the Department of National Defence regarding the treatment to be given on the one hand to those who have volunteered and on the other hand to the trainees?

Mr. RALSTON: The general effect of the instructions that are given is that there is to be absolutely no difference in treatment between the two classes.

Mr. POULIOT: Is it not true that instructions are being given, with or without the knowledge of the minister, by his own department to the effect that trainees who have not 44561-288 volunteered should mix with the soldiers who have volunteered, in the companies and different sections of the regiment, and shall not enjoy the same leave and the same treatment as those who have volunteered, in order to exercise pressure on the trainees to force them to volunteer; moreover, that instructions have been given to General Panet to the same effect and that he gives, transmits or communicates the same instructions to the other commanding officers within his district? Is it to the knowledge of the minister that such things happen?

Mr. RALSTON: Is this cross-examination, Mr. Chairman?

Mr. POULIOT: I will not let it alone. It is impossible.

Mr. RALSTON: If my hon. friend addresses the Chair he can ask his question. I do not know that there is any need for these ferocious motions toward me. In the first place my hon. friend asks if it is not true that those instructions were given with or without the knowledge of the minister. Obviously, if they were given without the knowledge of the minister I would not be able to speak of them. As far as I know there were no instructions of that kind or to that effect given, but I want to say I would be very much surprised if the trainees, as my hon. friend calls them, that is the "R" recruits, are not mixed in with the other soldiers in the camps. I see no reason why they should be kept separate. The very purpose of the basic training centres is that every one in them shall be trained in the same way, and that would be one reason for making no distinction rather than for putting the "R" recruits in a platoon or a detachment by themselves.

As far as the other question is concerned, I have no knowledge of any such instruction.

Mr. POULIOT: Well I have knowledge; I know it is done, and I will inform the minister, if he does not know what is going on in his department because he is so busy as Minister of Finance that he does not care about the duties of Minister of National Defence.

Some hon. MEMBERS: Order.

The CHAIRMAN: Order. I have drawn attention of members of the committee to standing order 58, subsection 2, which I hope is well known by this time. The purport of section 2 of the bill is to remove from section 2 of the act the words "subject to the provisions of section 3 hereof". Therefore the committee has before it a section the effect of which, if it is enacted, will be to

REVISED EDITION

sense to thrust this house into another debate and to go over all this again, and I do not think that the membership is in the humour to stand for it. Besides, I do not believe that anybody will be convinced by arguments on this new amendment even if it is in order. I am not open to conviction, for my mind is made up, and I am going to vote as I did before.

Mr. ROY: Mr. Chairman, with reference to the remarks of the Minister of Pensions and National Health, may I say that you have already given your decision on this amendment when you maintained it in principle before the house a while ago. I believe the rule is that we can amend a clause of a bill either by striking out some of the words or by adding to it. This is what I am doing; I am adding something to clause 2, and it has the meaning which has been explained by the hon. member for Témiscouata. I hope the amendment will be maintained.

The CHAIRMAN: Is the committee ready for the question? A point of order is raised on an amendment proposed by the hon. member for Gaspé. The amendment reads as follows:

Provided that this act do not come into force until it has, by means of a referendum, been submitted to and approved of by the electors of Canada.

This amendment is, in my opinion, inconsistent with the scheme of legislation which has been referred to the committee after second reading. We are in committee stage, and the committee must take the scheme of legislation as submitted after second reading. I shall cite May, Twelfth edition, page 371, and note in Beauchesne's Parliamentary Rules and Forms, citation 781:

An amendment must be relevant both to the subject matter of the bill and the clause to which it relates; it must not be inconsistent with any previous decision of the committee; it must not be such as to make the clause which it proposes to amend unintelligible . . . it must not be based on schedules or other provisions the terms of which have not been placed before the committee.

The amendment has the effect of submitting the bill to a provision, namely a referendum, which is not within the scheme submitted, and therefore it would be inconsistent therewith.

Further, I would point out the difference between the amendment presented at this stage of the proceedings in committee of the whole and the amendment proposed in 1917 by Sir Wilfrid Laurier. The amendment of Sir Wilfrid Laurier was presented in the house on the second reading of the bill before the principle of the bill had been adopted by

[Mr. McIvor.]

the house. Once the house on second reading has admitted the principle and has referred it to the committee, we cannot accept, in committee, an amendment which would be inconsistent with the general scheme which has been referred to us and which is not subject to a referendum. This legislation is to enable the government, if and when it so decides, to mobilize the man-power of Canada for certain military service, even overseas. An amendment subjecting that legislation to the formality of a referendum would alter it materially and fundamentally. In my opinion this reason in itself is sufficient to support the point of order raised. But subsidiarily, I would point out that if this amendment were enacted the act would become ineffective unless a referendum were held. Therefore it would destroy the effect of the act unless a referendum were held. If a referendum were held, it would entail a very large expenditure of money. I would quote from Bourinot's Parliamentary Procedure, page 524:

The committee cannot agree to any clauses involving payments out of the public funds (z), or imposing any dominion tax or charge upon the people.

Undoubtedly an expenditure of money is involved if a referendum is held, and if a referendum were not held, it would negative the principle of this bill. I must hold that the amendment is out of order. Is the committee ready for the question? The question is on section 2 of the bill.

Mr. CARDIN: As the law stands at present, what is the status of a man called under the mobilization act which we are trying to amend by this legislation? After a man has received his notice and has reported to the officer to whom he is called to report, what becomes of him and under what authority does he pass from that moment? Does he not pass as a matter of fact under the authority of the Department of National Defence?

Mr. RALSTON: My hon. friend knows that the proclamation is passed at the instance of the Minister of National War Services (Mr. Thorson). The man is then ordered to report, and he reports to the training centre. After he is examined he becomes subject to duty or service as may be designated by the Minister of National Defence. He therefore does come under the Department of National Defence after he has passed his examination and has been regularly enrolled.

Mr. CARDIN: Is it not a fact that most of the young men who have been called under orders in council or proclamations which

Mobilization Act

various grounds this amendment to section 2 is out of order, and I think it is out of order at any stage of the bill.

Mr. POULIOT: Mr. Chairman, on the point of order, I have followed closely the argument of my hon. friend and learned confrere in support of his contention that the amendment moved by the hon. member for Gaspé is out of order.

One of his contentions is that the amendment should not have been moved to section 2. Well, what is section 2? Section 2 of this bill seeks to amend the National Resources Mobilization Act, 1940, which is chapter 13 of the statutes of 1940, by striking out in the first line thereof the words "subject to the provisions of section 3 hereof." Section 2 and section 3 of chapter 13 of 3 George VI, which is the National Resources Mobilization Act, 1940, are one and the same with regard to the kind of military service imposed by the legislation of 1940. Section 2 of that act is proposed to be amended by striking out in the first line thereof the words "subject to the provisions of section 3 hereof."

To understand section 2 we must read section 3 of the National Resources Mobilization Act, which reads as follows:

The powers conferred by the next preceding section may not be exercised for the purpose of requiring persons to serve in the military, naval or air forces outside of Canada and the territorial waters thereof.

And if the limitation in section 2, worded as follows—

Subject to the provisions of section three hereof.

—is struck out, it means that the special powers conferred on the governor in council in virtue of section 2 may be used, not only for the exclusive defence of this country within this country, but also for sending men overseas, and it shows the way—

The CHAIRMAN: I am sorry, but I cannot observe any close connection between the remarks of my hon. friend and the point of order. Is my hon. friend discussing the point of order?

Mr. POULIOT: Yes. It is not my fault; it is on account of the fact that the law has been so badly drafted.

The CHAIRMAN: Order. The point of order is not the law. A point of order has been raised that the amendment proposed is inconsistent with the principle of the bill as referred to this committee after second reading, and, furthermore, that it would negative this bill and would entail an expenditure of money. Those are the points raised to which the hon. member should now direct his attention. Mr. POULIOT: Yes, sir. I always abide by what you say. I am arguing in favour of the legality of the amendment of the hon. member for Gaspé, although personally I am not in favour of that amendment, with regard to the matter of principle.

The CHAIRMAN: The hon. gentleman is talking of the merits of the amendment.

Mr. POULIOT: No, no.

The CHAIRMAN: Well, the hon. member is stating that he is not in favour of the amendment. This is irrelevant to the point of order.

Mr. POULIOT: Yes, but I was not arguing on that, I was merely mentioning it for a moment. What is a referendum? I think I shall be perfectly in order in quoting the definition of "referendum" in a book which is the dictionary provided for the needs of the house. It is the "Concise Oxford Dictionary," and lies on the table, and therefore the definition of "referendum" which is contained in this dictionary, kept here for the use of all hon. members, is the only one which can be acceptable in this connection. Here it is, at page 981:

Referendum. Referring of certain political questions or of such questions under certain circumstances to the electorate for direct decision by a general vote on the single question.

The hon. member for Gaspé explained the reason why he suggests that the matter should be referred to the people by referendum. I cannot touch on that now. But the definition of "referendum" is as I have read it. He said that Sir Wilfrid Laurier made a similar amendment when the Borden government was in power, at the time that Sir Wilfrid was leader of the opposition, and the Minister of Pensions and National Health (Mr. Mackenzie) remarked that that was altogether different because Sir Wilfrid had moved that amendment on the second reading of the bill. Well, this is not the reason. Everybody knows that such an amendment may be moved at any time, and this time is just as proper as the time that Sir Wilfrid judged proper to move a similar amendment, twenty-five years ago.

In conclusion, sir, I submit that there is nothing in the rules of the house to prevent the hon. member for Gaspé from moving such an amendment at this stage of the bill, and therefore I submit it should be submitted to the opinion of the committee.

Mr. McIVOR: I should like to say just a word on this issue. I have been looking through Beauchesne's Parliamentary Rules and Forms, and I cannot find the law that I wanted, namely the law of common sense, but I do not think it is practical common principles of the bill. It is only a short time ago, namely on February 9 last, that the principle of conscription was condemned right in the midst of conscriptionist Canada, right in the community of the so-called group of two hundred in Toronto. That was the time when the man who represented the idea of the principle of conscription presented himself for election in the constituency of York South, on a platform of conscription for overseas service.

Well, there were no French Canadians there, but the population in that constituency voted against the conscriptionist candidate, and for the man who opposed conscription for overseas service. That was the situation in a constituency where the group of two hundred were very strong, and yet the population rejected conscription by a heavy majority.

There are many other reasons why this measure should not be enforced without the consent of the people of Canada. It seems to me that the result of the plebiscite has been interpreted throughout the country as an approval of conscription. I do not believe that is so, and there are many others throughout the country who believe as I do.

In the first place, through the pledges of the Prime Minister and his colleagues in the cabinet, over the radio and in the press Quebec was told that the plebiscite did not mean conscription. Is there anyone in this chamber to-day who will deny that? No, I do not think there is. It meant no conscription. In any campaign among French Canadians in Quebec it was urged that there would be no conscription. I believe I might venture to say that had it been put to the people as an issue of conscription for overseas service there would have been far fewer "yes" votes given not only in Quebec but throughout the rest of Canada.

At this time when Canada is threatened by enemies on both coasts and when our allies are asking for more and more food, more and more supplies and ammunition, more and more weapons, is it wise to look only at one thing with both our eyes instead of looking at the question more objectively? If we send our most able young men overseas, our war production is going to suffer. We cannot expect to raise an army as big as the armies of other countries which are not producing half as much as we are. We cannot do that and at the same time produce in such large volumes as we are producing. We cannot do that and continue to support the armies, of other countries with what they need. That would be a little too much to expect from a small population of 11,500,000.

At six o'clock the committee took recess. [Mr. Roy.]

After Recess

The committee resumed at eight o'clock.

Mr. MACKENZIE (Vancouver Centre): Mr. Chairman, on a point of order with reference to the amendment moved by the hon. member for Gaspé (Mr. Roy), which I did not have an opportunity of seeing before the dinner recess but of which I now have a copy before me, I submit, without any desire at all to impede the hon. member, that on several grounds the amendment is out of order.

In the first place I would submit that it is not a proper amendment to section 2 of the 1940 act, the National Resources Mobilization Act. Section 2 of the bill is merely a restrictive amendment to section 2 of that act. The amendment proposed by the hon. member for Gaspé for a reference to the people is not an amendment to section 2 of the bill. The hon. member quoted in support of his amendment the amendment moved by Sir Wilfrid Laurier to the Military Service Act of 1917. That will be found at page 2403 of *Hansard* of that year, and it reads as follows:

That the further consideration of this bill be deferred until the principle thereof has, by means of a referendum, been submitted to and approved of by the electors of Canada.

That amendment was moved on the second reading of that bill and not by way of an amendment to a specific section of the bill. My hon. friend now moves an amendment to section 2 of this bill, in these words:

Provided that this act do not come into force until it has, by means of a referendum, been submitted to and approved of by the electors of Canada.

I also submit that the amendment which I have just read has the effect of an expanding negative, and that if the referendum were held it would involve the expenditure of public money.

The hon. member has quoted the amendment of Sir Wilfrid Laurier to the Military Service Act, but that amendment dealt with the principle of that bill and not with a specific section, which is quite different.

The principle of this enabling legislation has been before the people; the people have already conferred enabling authority upon the government, and therefore I submit that the amendment moved by my hon. friend is quite different from that moved by Sir Wilfrid Laurier in 1917, when the principle of the Military Service Act had never been before the people. The principle of this enabling legislation has been before the people, and the people have conferred the necessary authority on the government. This is purely enabling legislation. I submit, Mr. Chairman, that on these

4554

The CHAIRMAN: Order. The hon. gentleman misinterprets the rule. He should have resumed his seat when the hon. member interrupted him.

Mr. POULIOT: I thought I heard a sound, Mr. Chairman, but I saw no one, and that was why I had to stand up.

The CHAIRMAN: Order, please. We are on section 1.

Mr. FRASER (Northumberland, Ont.): I am glad the hon. gentleman made that statement in the house.

The CHAIRMAN: We are on section 1, the short title.

Some hon. MEMBERS: Carried.

Mr. POULIOT: I am not impressed by noise, but I would ask hon. members to let us proceed.

The CHAIRMAN: Order. We are on the short title.

Mr. POULIOT: Yes, sir; and you will admit that I have remained within the limits imposed by the Chair, and have not infringed upon them. I want to conclude, but I trust that the committee realizes the importance of the bill now before us, and that we shall not be disturbed by any buffoonery or anything of the sort. I do not blame anyone; that sort of thing suits some people, but I take this matter seriously, as everyone should. We must know where we are. That is my request, and I believe other hon, members share my views in that regard. We shall see in due course what may have to be said if our request for a more precise and more comprehensive title is not granted.

Section agreed to.

On section 2-Special powers of the governor in council.

Mr. ROY: Mr. Chairman, before I proceed with my remarks on this section of the bill, I will read the amendment I intend to propose. I have the honour to move, seconded by the hon. member for Laval-Two Mountains (Mr. Lacombe), that the following words be added to section 2 of the bill:

Provided that this act do not come into force until it has, by means of a referendum, been submitted to and approved of by the electors of Canada.

No doubt the older members of the house will recognize this amendment as the one moved on a similar occasion by Sir Wilfrid Laurier. If Sir Wilfrid Laurier was right in 1917 in moving this amendment on the ground that compulsory service for overseas was a denial of the most sacred principles of democracy, then surely we to-day are hundreds of times more right in taking the same course under present circumstances.

It may serve some useful purpose to recall that since 1917 election campaigns have been fought on this very question of conscription for overseas. In every campaign this principle has been brought before the population, and they have been asked to condemn it again and again and again. On many occasions the Liberal party, and in the last election campaign the Conservative party, have asked the people to condemn the principle of conscription for overseas.

If it was not right to enforce conscription for overseas in 1917, and after the people have been urged to oppose it so many times since that year, then surely we cannot laugh at them now; we cannot laugh at their common sense. We cannot forsake that sentiment we have created and supported for so long a time. That is why I move the same amendment to-day. Moreover, recent campaigns have created stronger opposition than was found to the measure of 1917. We have always been supported in the stand that the enforcement of a compulsory measure of service for overseas was a denial of the principle of democracy. We have been supported by declarations of the leaders of all parties. This applies not only to the Liberal party. A few moments ago the leader of the opposition recalled the declaration in speeches of the Prime Minister. May I point out to the right hon. gentleman that in 1926, at a time when he was Prime Minister of Canada, the Right Hon. Arthur Meighen declared in Hamilton with respect to the opposition to that measure from Quebec that that province should not be ignored, and that if ever Canada were placed in a position where she had to decide whether she would go to war with England or the empire, such question should be referred to the people by referendum.

So it is that for twenty-five years the population of this country has been taught to oppose that measure. Leaders of different parties, and chiefly the Liberal party, have urged their arguments against that principle. Therefore to-day we cannot forsake this sentiment which for so long has been supported by Canada's political chiefs and leaders.

Mr. FRASER (Northumberland, Ont.): Bring yourself up to date.

Mr. ROY: Bringing myself up to date I would say this, that conscriptionists are not in the majority in this country. We must keep that in mind. As was proved a few minutes ago by the leader of the opposition, most members of the cabinet are against the you who are masters of language, you have never received such an ambiguous title for any piece of legislation.

Hear this again: "The National Resources Mobilization Act Amendment Act, 1942." It is like a German name that covers a long space in a book. It should be drafted more clearly. It should read, "an act to establish definitely conscription for overseas service". Then we would know what it is. I know it has been the practice to call things by other names than their own and to change the dictionary. One example of that was the word "draftee". We did not hear the word "draftee" or the word "conscript"; we heard the word "recruit", a word that was improper. The real word was "draftee" or "conscript", because the man was conscripted either from the land or from industry. But it was not permitted to call the conscript or the draftee a conscript or a draftee; he was not that, he was a recruit, which, of course, meant the same thing.

Mobilization means conscription. Consequently, why not use that term? I am not in favour of conscription, but if this bill is for that purpose, why not call it so? It would satisfy hon. members on both sides of the house who are in favour of that, and every Canadian citizen would know what it means. We have already wasted about two months of this session in arguing about the plebiscite. I do not see why we do not have better drafted legislation. This draft is bad, this draft is wrong; it may mean anything, and it may mean nothing. Why not call things by their names?

Some hon. members want conscription. If it is at their request, as the leader of the opposition stated a moment ago, that this legislation has been brought down, well, does this satisfy them? By changing the short title of the bill and calling it "the bill that came at last to establish conscription for overseas", it would not be ambiguous any more; it would be clear. I wonder whether the government will take the responsibility of a bill which will be as clear as crystal and which people will understand as being what it really is? The Prime Minister has often said that he has great respect for parliament. It is a feeling that honours him, a feeling that honours all those who are true to the undying principles of British parliamentary life. Here we are in a game of hide-and-seek; we are legislating for what we think will benefit the people and the country at large. Why try to describe things otherwise than they are?

This has gone on long enough. We must come down to brass tacks, we must separate the chaff from the good grain, so that we may [Mr. Pouliot.] know where we stand. At the present time we are in a fog so thick that it could be cut with a knife. We want clarity; we want legislation with a meaning, whatever it is. It seems only fair, Mr. Chairman, to ask for something which those learned in law as well as those who have never studied law may understand, provided they know how to read. The legislation that is on our statute books, the legislation that we find in the Canada Gazette, is an abomination in regard to the way it is drafted. Who does it? No one knows. For a bill as important as this, the first conscription we should make is that of the most skilful brains, the most skilful men who understand that the law of the land applies to all those within the boundaries of the land and all those within the possessions of a country outside its natural boundaries, which, of course, is not our situation.

My first appeal to the government is to ask them to reconsider this section and to call things by their proper names. Either this bill means conscription for overseas, or it does not. If it means conscription for overseas, let us have a title that will truly describe the bill.

Mr. FRASER (Northumberland, Ont.): If I may ask the hon. member a question, if the bill means conscription for overseas will he support it?

Mr. POULIOT: Each thing in its turn; my hon. friend will see later on what I have to say on the matter. His question was very short, because if it had been longer he would have been called to order by the Chair. I think it most unfair of the hon. member for Northumberland, Ontario, to ask such a question when he knows very well—

Some hon. MEMBERS: What was the question?

Mr. POULIOT: I cannot repeat it; I am precluded from doing so by the Chair. It was most unfair of the hon. member to ask that very short question, in contravention of the decision of the Chair, when he knew very well that the member for Témiscouata, who always abides by the decisions of the Chair, could not answer it.

Mr. FRASER (Northumberland, Ont.): If the hon. member cannot answer that question he should discontinue his speech.

Mr. POULIOT: I regret that the hon. member for Northumberland—

The CHAIRMAN: Order. The hon. member has the floor. The incident is closed.

Mr. POULIOT: Since the hon. member for Northumberland, Ontario, has interrupted me, I presume I am allowed forty minutes more.

4552

adequacy of our reinforcements for overseas. The reply was, to say the least, unsatisfactory —unsatisfactory in the sense that we were not given the ratio of our trained reinforcements to the active army overseas available to fill the places vacated when the casualty lists begin to pour in, as pour in they will, when the Canadian army gets into action. When that day comes, reinforcements in trained personnel will be required in ever-increasing numbers.

My fear is this, that while we are told we have adequate reinforcements for the time being, yet we shall not have them when they are most urgently required. That was found to be the case on other occasions. If, then, this testing time comes and we do not have the necessary reserves, it will be said of Canada that she did too little, too late. To me, the supply of adequate reinforcements properly trained when the testing time comes is of supreme importance. It will be too late then to apply the principle of conscription. As the Minister of National Defence for Naval Services said during the course of the debate, there is nothing wrong with the principle of conscription. Most of us, I think, will admit that apart from certain considerations obtaining in Canada, as a result of the education given to our people in the last twenty-five years, it is the only proper system to use. It is democratic; it is equitable; it is just and fair. I was curious to hear and read the arguments of certain of those members, including some members of the administration, who opposed the principle of conscription and who suggested that conscription had become a symbol of total war in the minds of those who urged its adoption. Mr. Chairman, nothing could be further from reality. It is the one thing Canada has not done, the one thing which she has delayed doing to provide for total war. The provision for ample reinforcements is the most necessary duty for Canada, for without that everything else fails. Therefore it is not a symbol; it is a necessary vital instrument of war. Its adoption in order to achieve that vital objective should not be delayed. It would be shameful to have history record that in this one vital factor, when the testing time came, Canada failed to send adequate reinforcements.

There is another factor about this situation with respect to our army, and that is what I have termed the anomaly of two armies, one volunteer and one drafted. I do not propose to restate that position. But I do say that from an administrative point of view the position must be almost intolerable. Those who are within the sound of my voice, who know what the position is, will know exactly what I mean. I have myself no special 44561-2873

Mobilization Act

information, but I am told that the difficulties created by the present position are almost insuperable.

But the one great argument in support of this principle, the one great reason why I appeal to the government not to delay the settlement of this question, is the wholesome fear I have that we have not adequate trained reinforcements overseas, and that the voluntary system will not provide them. We are now diverting the stream of man-power into other channels, necessary, but not as vital, weighed in the balance, as reinforcements for the army when action comes. I fear that we as a nation may fail the gallant lads who are now overseas prepared to do battle with the enemy wherever he may be found, if we do not prepare now by the only obvious method to support them to the limit.

No, conscription is not a symbol of total war. It is a vital living necessity for total war.

Mr. POULIOT: I have the bill here, and I shall have no other opportunity—

The CHAIRMAN: Order. I would point out that the leader of the opposition had unanimous consent. If it is desired that the debate should be general—

Some hon. MEMBERS: No. No.

The CHAIRMAN: Otherwise the hon. member will be confined to the propriety of the short title, covered by section No. 1,

Mr. POULIOT: Yes, sir. I will abide by your decision, and I will stay within my confinement. Since there was a little interval on account of the long speech delivered by the leader of the opposition I shall have to read this section again. The short title is:

This act may be cited as The National Resources Mobilization Act Amendment Act, 1942.

Well, sir, I find this a redundant title. It looks like a conundrum. It seems to me that in order to be fair to all those who are or who are not familiar with the law of the land and who desire from the bottom of their hearts to understand the meaning of the legislation, this title should be changed. At the present time it is obvious that this title will be the joy of all those who would like to argue pro and con, for and against. One will say that it means conscription for overseas; others will say, "no, the time has not come yet, you will have to wait a little. It does not mean that".

All I ask is clearness and lucidity in legislation. I have been praying for that for years and years, but my prayers have never been heard. This time we have this conundrum. Think of that, you who are well-read in law maintain the solidarity of his party and of his own position. He has now announced that we are to have conscription on the "if, as and when" principle. Parliament is to be asked to give a vote of confidence. More delay: more shelving of responsibility on a vital issue, and by a government which has in the past two years, usurped more power and assumed more arbitrary control of our lives and property than any other government in all our history. Surely the time has arrived when we should do away with temporizing. Why should the government not be forthright on this question-say it will or it won't? Then we would know where this administration stands.

I pause now to put this query to the three defence ministers, one of whom only is in his seat to-day, having regard to their utterances in this chamber on the debate on the second reading of Bill 80. How can they as self-respecting men, after what they said in that debate, accept this latest chapter of the Prime Minister's policy? I put it to these hon. gentlemen, and I put it to them jointly and severally to declare themselves during the course of this debate, and before this bill becomes law, as to just where they stand. The country expects it of them. How can a cabinet, having regard to the principle of cabinet solidarity, accept this latest addition to this "Comedy of Errors" without a voice of protest from these three hon. gentlemen, followed by action? Let us have an end of all this twisting and turning. Let us be men and meet the issue squarely, man-fashion. Let us say that we will or we won't. The whole nation awaits the announcement of these three defence ministers, and it should not be delayed for another day. The statement of their position, having regard to what the Prime Minister said in his last speech, is long overdue.

What does this vote of confidence mean? It means just another unnecessary pledge which ties the Prime Minister's hands and will prevent him from ever putting complete compulsory national service into effect. What will be the verdict of history if our soldiers overseas meet disaster while the Prime Minister fiddles away with another political move which means delay and is definitely lacking in courage and decision? Let us end this farce. Let us face the situation and be done with political shadow-boxing and political expediency.

Then, on this question of coming to parliament on a vote of confidence. Is not that debatable? Such a motion or resolution involving confidence in the government cannot be put through without debate if any single member of this house wishes to discuss the

[Mr. R. B. Hanson.]

subject. Under the rules of the house anyone has an absolute right to discuss the subject. The Prime Minister knew this when he made the statement, and all his talk about getting through without debate is just so much eyewash. It was done, I verily believe, so as to give an appearance of getting things into conformity with what he had said in his previous speeches. Any motion involving confidence in the government is debatable, and it would be utterly outrageous if it were not so.

Later in that speech of Tuesday, July 7, the Prime Minister indicated that the debate would have to be curtailed. Well, who will do the curtailing. There is only one way to curtail debate in parliament, and that is by invoking the rules with respect to closure. Consequently, what the Prime Minister said on July 7 was that the action of his government in imposing conscription would be submitted again to debate in the House of Commons, but that closure would be applied in the debate, and the motion or resolution put through under closure.

I suggest that the time has come for the Prime Minister to state his case, his position, his proposal, in language which conveys his real meaning and that the country shall have some finality on this question. Heretofore, up to this point, we have had a flood of words and the most skilful concealment of the real intentions of the administration. I wonder what he himself and his followers, who have for nearly thirty years denounced conscription with bell, book and candle, who have also denounced closure with all the anathemas at their command, will think of conscription put through by closure, under the Prime Minister himself. Just fancy that spectacle in this house, you who have read the debates here.

During the course of the debate on the second reading of the bill I did not debate the question of conscription. I thought I had done so effectively in the course of my remarks in the debate on the speech from the throne. On that occasion I argued the case for national selective service, including service for overseas, with all the vigour at my command. I realized then, as I do now, that compulsory service for overseas is only one aspect of the whole question, but in my view it is a vital question; for without efficient, well-trained man-power all our other efforts for carrying on total war are nullified. No matter how well equipped our army may be, if it is lacking in adequate, well-trained reinforcements, near to the scene of actual action, it cannot long remain in action.

It will be recalled that on more than one occasion I interrogated the Minister of National Defence on this vital question of the whatever lies within my power to see that parliament is informed as soon as possible after the decision has been reached.

I intend, at the same time, to see that, before the administration assumes the additional responsibility of enforcing its decision, hon. members are given an opportunity, not for any second debate on the question of conscription, but of showing their confidence or want of confidence in the administration.

In following this course, I hope it will be agreed that I am fulfilling the spirit of an earlier undertaking given to parliament on February 25, that "when we find that we cannot raise the required numbers of men for enlistment overseas by the voluntary method, and it is absolutely necessary to raise more men by other methods, then we will make our decision, present it to parliament, and have it discussed on its merits." The debate on the merits of conscription has, of necessity, come on the present bill. What really is important hereafter is that the government's decision should immediately be presented to parliament, and that the government should be prepared to stand or fall on its decision.

Let us analyse that proposal. His proposal and undertaking is that although this bill, when passed, meant the authorization by parliament of compulsory selective overseas service, he would not actually give effect to the measure by introducing and implementing the policy of conscription until he had again come to parliament and made known his intentions of putting conscription into effect and asking for a vote of confidence. He rather indicated, too, by portions of his speech that this vote would have to be without any debate.

The progressive positions which the Prime Minister has assumed on this whole subject matter may be summarized as follows:

1. March 30, 1939; September 8, 1939; June 17, 1940: no conscription for overseas under any circumstances while his government remained in office.

2. November 12, 1941: no conscription for overseas, without consultation with the people.

3. February 25, 1942: no conscription for overseas until the voluntary system has failed and it is absolutely necessary to raise more men by other methods—and until parliament has at that time debated and decided upon its merits.

4. June 10, 1942: conscription is not now necessary and may never be necessary, but parliament should decide the issue now and enable the government to act at once without reference to parliament and without a second debate, if it should become necessary.

5. July 7, 1942: conscription is not now necessary and may never be necessary, the policy being paraphrased in the words, "not necessarily conscription, but conscription if necessary"; but if the government should 44561-287 decide it is necessary, it will come to parliament for a vote of confidence prior to enforcing it.

Trust the government, the Prime Minister has said. After everyone thought parliament had settled on a principle which would stick, we had the last rabbit out of the hat—no conscription without a vote of confidence in the government! What a spectacle of twisting and turning. Did the country ever see or hear of the like before? What leadership! Talk about shying at hurdles! Never in the whole history of responsible government has the world witnessed such an unholy spectacle!

Mr. POULIOT: Would the leader of the opposition kindly repeat that sentence?

Mr. HANSON (York-Sunbury): Oh, the hon. member can read it to-morrow.

I ask this question: what is to be the next contortion? What is to be the next and last rabbit which the Prime Minister will pull out of the hat? Will it be no conscription without the consent of the conscriptee? I have more than a suspicion that the Prime Minister would go that far if he thought it would be effective. Again, what a spectacle! The Prime Minister would have it appear that at all times during his career he has avoided the extreme view on any great public issue. I think in the main that is correct; at all events, it has served him usefully in the days that have gone by. I think he has always waited until public opinion has crystallized. I assert that he has not led public opinion, that he has been led by public opinion and that he has taken what may be termed the opportunist course.

Mr. BLAIR: That is responsible government.

Mr. HANSON (York-Sunbury): That is not responsible government; that is opportunist government. He has always been susceptible to pressure of public opinion, and he has never done more than public opinion obliged him to do.

To-day national unity which he sought to preserve has been proved to be illusory, and party unity is shattered. He seeks now to restore it by temporizing once again. Will that method restore either national unity or even party unity?

Many times the theme has run through his speeches that when parliament was through with the plebiscite bill and the amendment of the mobilization act, all further responsibility would be on the government. Then comes this great afterthought, this boxing of the compass, this exhibition of indecision and procrastination—in the interest of what? Party unity—one last valiant attempt to

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Mark these words well:

-the place for it to be fought out is on the floor of this parliament.

Is it not abundantly clear from this sentence that at that stage in his progress away from his previous pledges and policies and toward the ultimate goal, it was the intention of the Prime Minister and the government that when freedom of action was received as a result of the vote of the people the government would take its decision, bring it to parliament and stand or fall by that decision? There can be no other logical inference from that language, and that is confirmed by the Prime Minister's own words of February 25, 1942, at page 832 of Hansard:

When we find that we cannot raise the required numbers of men for enlistment overseas by the voluntary method, and it is absolutely necessary to raise more men by other methods, then we will make our decision,—

That is, the government will make its decision, and:

--present it to parliament and have it discussed on its merits. . . . We are simply asking to be given freedom to make an untrammelled decision and to come to parliament with that decision.

That was another step. Beyond peradventure, it is clear from this declaration that what was to be brought to parliament was the question of the implementation and the enforcement of the compulsory method for military service overseas, not the principle involved.

This was the situation as it stood until the time the Prime Minister moved the second reading of Bill No. 80, to amend the mobilization act, on the tenth day of June last Speaking on that day on the second reading of the bill, the Prime Minister quoted his own words of February 25, above referred to, and then went on to say at page 3234 of Hansard:

Unless the question of conscription for overseas service is to be twice debated, that, as I see it, is the stage we have now reached—

That was an admission that there had been a departure at least.

The government is making its policy with respect to the raising of men for service overseas fully known. We are presenting that policy to parliament, and, as I have just said, we welcome the opportunity of having the whole question discussed upon its merits.

Now I wish hon. gentlemen to note these words:

Also, it will, I think, be generally agreed that discussion on so important a subject should not be left to a time of crisis. As between debating the issue now or later on, obviously the wisdom and advantage is wholly in favour of the earlier moment.

[Mr. R. B. Hanson.]

He goes on in another place:

As I already have said, I am certain that with war on every side, hon. members of parliament would not wish two debates upon the subject of conscription when one should suffice, and I am even more certain that the people of Canada would not view with patience any such action on the part of their representatives.

In other words, the Prime Minister stated on February 25 that when the voluntary method failed to raise the required number of men, he would at that time present his decision to parliament and have it discussed on its merits. What happened? He came to parliament on June 10 and stated that "conscription for overseas service is not necessary at the present time. Moreover, it may never become necessary." Nevertheless he asked parliament then and there to decide the issue. What a contradiction! Those two positions are not compatible. They are illogical. There is no sequence to them. He was practising the same old policy of procrastination and appeasement. No wonder the words that I used in this house on June 10 with reference to his position, as set out in the quotation from Gilbert and Sullivan's opera, have been so greedily seized upon and approved by the general public of this country.

On July 7, winding up the debate on the second reading of Bill No. 80, he invented and brought forward a new formula—a pure compromise between his two positions of February 25 and June 10; and he put forward for that formula the claim that it was in fulfilment "of the spirit" of his earlier undertaking of February 25. Could anything better illustrate the type of casuistry in which the Prime Minister indulges?

I say with great assurance that the formula presented by the Prime Minister in his concluding speech was a new one and constituted an undertaking entirely distinct from and additional to the proposals of the bill and, indeed, definitely at variance with what he had said in his speech in moving the second reading of the bill. He introduced new matter in his reply, and he introduced it at a time when he knew there could not be any effective reply.

In that speech of July 7, the Prime Minister made the following statements, to which I direct particular attention, as recorded in Hansard at page 4014:

I intend, therefore, if the time should come when the government decides that it has become necessary to send overseas men who have not volunteered for general service, and I should be in office at the time, to ask my colleagues to join me in seeing that parliament is immediately informed of the government's decision. If parliament is not in session, I would do forces overseas. Once again I wish to repeat my undertaking, frequently given, that no measure for the conscription of men for overseas service will be introduced by the present administration.

This was the third occasion on which he had given this pledge, this arrangement as it has been termed, this agreement, this gesture of appeasement to his followers in certain portions of Canada, those loyal followers who believed him when he made that statement but who now find themselves in the position where some of them are of the opinion that he has betrayed them. These men, even if we do not agree with them, are entitled to be given the credit at least of consistency.

Mr. POULIOT: Who are they?

Mr. HANSON (York-Sunbury): I am looking at one of them now. They believed in his pledge. The hon. member for Beauharnois-Laprairie (Mr. Raymond) has reaffirmed this position on more than one occasion. He believed in that pledge. He believed in that arrangement, and he referred to it in his speech. They believed in the pledge of the Prime Minister. The Prime Minister had taught them to believe that that would be the course his party would pursue. And they have every right to think that he has betrayed them.

I shall not traverse the events which intervened between June, 1940, and January, 1942. My colleague, the hon. member for Yale (Mr. Stirling) put on record on July 6 a statement of our position, and of the progress of events in relation to this question of man-power. Those were the progressive steps which we advocated and which one by one we have succeeded in having the administration adopt.

From all I have said it is quite clear that down to January last the Prime Minister's position was that under no circumstances, in no event and for no reason whatsoever would he or his government while in power enact or promulgate legislation for compulsory service for overseas. I should say, however, that in November last there was an indication of a change of front-not a vigorous, manful declaration of a change of policy, which, in the light of two years of disastrous retreats and defeats, would have been understandable, but a veiled intimation that he might consult the people on such a change of policy. I want to read his words to the membership of this house and recall them to their minds. On the twelfth of November, 1941, as recorded at page 4321 of Hansard, the Prime Minister said this:

But so far as conscription for service overseas is concerned in the armed forces of Canada, that question was submitted to the people of Canada at the last general election, an election which was held in war time, and in which the leaders of all political parties made their statements to the electorate, and the people of Canada decided against conscription for overseas service.

And now, Mr. Chairman, will you please note the Prime Minister's concluding sentence of that statement:

So far as I am concerned, without any consultation of the people on that subject, I do not intend to take the responsibility of supporting any policy of conscription for service overseas.

It will be seen from that, I think, that already the Prime Minister was wavering, and there was reason why he should waver. But he still refused to assume the responsibility which devolved upon him and which, I submit, the correct practice under our constitutional system demanded. He would "consult the people." He must have had this thought in his mind when, in January of this year, in the speech from the throne, he announced the plebiscite. Was this the consultation he had in mind in November? I think I am justified in asserting that it was. True, the consultation was not in direct form. But in the light of subsequent history, is there anyone outside the ranks of the ministry who does not now believe that the people were being consulted through the medium of the plebiscite? To argue otherwise, in the light of subsequent events, is to insult our intelligence. The people in Quebec who voted "no" had no other thought in mind. They believed then, and the vast majority of their representatives here in this house believed, that they were voting against conscription for overseas service. I may be pardoned if I repeat for the purpose of this argument that portion of the speech from the throne in which are found these words:

The government is of the opinion that, at this time of gravest crisis in the world's history, the administration, subject only to its responsibility to parliament, should in this connection and irrespective of any previous commitments, possess complete freedom to act in accordance with its judgment of the needs of the situation as they may arise.

In that paragraph is stated in clear terms an express departure from the principle so often enunciated by the Prime Minister. Subject to his responsibilities to parliament and, I should add, to parliamentary support, he desired for himself and his government complete release from his commitments—in relation to what? In relation to one thing and one thing only.

Then, in expanding that statement during the course of his speech on January 26 last, at page 48 of *Hansard*, the Prime Minister made this declaration:

If the issue of conscription for service overseas is to be fought outnow that peril is upon this nation and upon the whole world, those chickens have come home to roost. Banquo's ghost now haunts the Prime Minister, and he is driven from pillar to post to protect his own position and to preserve the position of his party. Time truly has wrought many changes. But through all these changes it is clearly visible that the Prime Minister's desire is to preserve his own political position and that of his party.

Let me review his position in these later years. In a debate on foreign policy held in this chamber as recently as March 30, 1939, the Prime Minister made this declaration, a declaration of isolationism, in the following terms, to be found at page 2419 of Hansard:

The idea that every twenty years this country should automatically and as a matter of course take part in a war overseas for democracy or self-determination of other small nations, that a country which has all it can do to run itself should feel called upon to save, periodically, a continent that cannot run itself and to these ends risk the lives of its people, risk bankruptey and political disunion, seems to many a nightmare and sheer madness.

These words were not uttered by an isolationist in the United States; they were uttered. by the present Prime Minister of Canada. No wonder that John MacCormac, in his recent book "America and World Mastery", characterized the right hon. gentleman as the "king of isolationists". Isolation for Canada in relation to any of Britain's wars was the guiding star of the Prime Minister all through his tenure of office as Prime Minister down to the month of September, 1939. He held strenuously to the view that what happened in Europe was no concern of ours. He was preaching then what he had practised all his life. He was preaching what the little Canadians, to whom his appeal was directed, believed in. All the time he had in mind the consolidation of his political position. And on March 30, 1939, in the same speech on foreign policy, he took occasion to make a pledge to the people of Canada, and especially to his followers in Quebec, in the following terms as they appear at page 2426 of Hansard:

The present government believes that conscription of men for overseas service would not be a necessary or an effective step.

I call the attention of hon. members to this sontence:

Let me say that so long as this government may be in power, no such measure will be enacted.

This pledge was reiterated by the Prime Minister when he was speaking in the house in the debate on the address in reply to the

[Mr. R. B. Hanson.]

speech from the throne, at the special war session on September 8, 1939. At page 36 of *Hansard* his position is reported as follows:

I wish now to repeat the undertaking I gave in parliament on behalf of the government on March 30 last. The present government believe that conscription of men for overseas service will not be a necessary or effective step.

Note well these words:

No such measure will be introduced by the present administration.

That was on September 8, 1939, and it was a reaffirmation of his previous position.

In the light of subsequent events, in the light of what has happened since that time, what a silly pledge that was! Nobody will recognize that fact more fully than himself because he has been trying to extricate himself from just such a position for two full years. What a futile undertaking that was, when we consider that to-day we have the full principle of compulsory military service for overseas or anywhere on the statute book of this country, and by the direction of the right hon. gentleman himself, and the party which supports him in this house!

In June, 1940, a little over two years ago, after the evacuation of Dunkirk, at the direct instigation of myself and my colleagues the mobilization act was introduced.

Some hon. MEMBERS: Oh, oh!

Mr. HANSON (York-Sunbury): I say that, and I can prove it. However, I shall not pause to do it now. Emphatically it was an emergency measure, copied, with one striking limitation, from the legislation passed by the British parliament the month before. It was merely enabling legislation. It never was intended in itself as a substantive measure. But with the exception of that limitation, it, together with the Militia Act and the War Measures Act, constituted, and to-day after the passage of this bill will constitute, the fullest possible power and authority any government ever obtained from the representatives of a democratic nation. And mark you well: it embodied within its ambit the principle of compulsory military service. We on this side of the house accepted the limitation, with some misgivings, but on the theory that half a loaf was better than no bread.

In introducing the bill the Prime Minister went to infinite pains to make it clear that he adhered to the traditional policy of his party on this question of compulsion for overseas service. Indeed I think he went out of his way to do so. On that occasion, June 17, 1940, he spoke, as recorded at page 854 of *Hansard*, as follows:

The bill to be introduced to-day in no way affects the raising of men to serve in the armed

Mobilization Act

have to endeavour to exercise my rights under section 3. But I do submit that in my position I should be allowed to proceed now.

Mr. POULIOT: Yes, go on.

The CHAIRMAN: Does any hon. member desire to speak to the point of order? If the rule is not suspended by unanimous consent, I must hold that under section 1 there is only one matter to be discussed, and that is whether the words, "The National Resources Mobilization Act Amendment Act, 1942" are a proper short title for this bill. If I departed from the rule, which is binding upon the Chairman, where should I draw the line? Under section 3 the leader of the opposition might perhaps speak to the matters to which he has just referred. Therefore I will now read section 1.

Mr. HANSON (York-Sunbury): Then may I ask for the unanimous consent of the committee? I am asking that, and I am wondering if this committee will refuse it.

Mr. MACKENZIE KING: I will support my hon. friend's request.

Mr. HANSON (York-Sunbury): I thank my right hon. friend; I think perhaps he has been in the same position himself.

The CHAIRMAN: Has the leader of the opposition leave to speak generally under section 1?

Some hon. MEMBERS: Yes.

Mr. HANSON (York-Sunbury): I want to thank you, Mr. Chairman, and the committee, and particularly the Prime Minister. I have no doubt that he has found himself in the same position on other occasions.

For several weeks this house debated the second reading of this bill. On June 10 the Prime Minister made one of his lengthy addresses in which, stripped of a mass of redundant verbiage, he stated the position of himself and his government as being "not necessarily conscription, but conscription if necessary," and announced that the principle of conscription would be debated then and there, once and for all. I replied to that speech on the same day, and exposed with all the power at my command the hollowness and what I considered the sham, the shadow-boxing and the practice of political expediency which it protrayed. I will say without fear of contradiction that every word I said then was justified. If I needed any confirmation of that view it was to be found in the speech delivered by the Prime Minister in the house on Tuesday, July 7, in winding up the debate on the second reading of this bill, a speech to which at the time there was no opportunity for reply, in which he reviewed the position and made what I considered to be a definitely new proposal and undertaking entirely distinct and additional to the proposals of the bill itself, and indeed definitely at variance with what he had said in his speech in moving second reading. I intend to have something further to say in this regard later on.

The house will recall that immediately after the vote was taken the Prime Minister moved the house into committee of the whole on the bill, and that I then and there took the floor to analyse the Prime Minister's change of attitude. What followed is a matter of record, against which I shall not cease to protest. I had intended at that time to protest the proposal of the Prime Minister that he would seek to have any vote of confidence in his government in connection with this matter passed without debate, or with very limited debate. I was denied that opportunity then, but I assert here and now that any such motion of confidence is debatable, and every member of this house has the right to debate it. Otherwise there would be a flagrant violation of the basic privileges of parliament. I shall have something further to say about this particular topic later on in my remarks. but I cannot refrain from observing that only by invoking closure can the Prime Minister limit debate on such a motion. If he does so, then we shall witness the spectacle of the leader of the Liberal party, who has always denounced the principle and the operation of closure, who has always denounced conscription for overseas service as a monstrous policy. inimical to national unity, coming to this House of Commons announcing that policy and invoking the rule of closure to throttle debate upon it.

I now propose, Mr. Chairman, to review the rather tortuous course of the Prime Minister with respect to this question of compulsory military service for overseas, or rather shall I say the principle of national selective service for overseas or anywhere. It is a well known fact which cannot be denied, that for nearly twenty-five years prior to this war the Prime Minister and his principal lieutenants preached the doctrine that he and his party would never, under any circumstances, no matter how grave or perilous, resort to the principle of compulsory military service for overseas. It was the one theme which in season and out of season was preached by him and his lieutenants to the people of Canada, and in particular to the people of the province of Quebec. And now that disaster has come;

Personally I am not concerned. My only difficulty is always to apply the rule impartially to all hon. members, once an irregularity has been allowed.

Mr. POULIOT: We all agree that subsection 2 of standing order 58 is the rule that binds us in our discussion in committee as we are sitting now. What is the item or clause under consideration? It is the short title of the bill, which reads thus:

This act may be cited as The National Resources Mobilization Act Amendment Act, 1942.

The bill which is now before the committee is to amend an act the purpose of which was to mobilize all the resources of this country. Therefore my contention is that at the present time, since general discussion is permitted with regard to the real purpose of the bill, any hon. member should be allowed to discuss the operation of the act that it is now proposed to amend, not only with regard to man-power affecting the three armed services, but also with regard to the mobilization of all other wealth that we have in this country. Moreover, any hon. member is entitled to criticize the operation of the former act, or to approve it, and thus any hon. member has the right and privilege to express his opinion on the principle of amending the former act and on the purposes of the amendment. The more so because when the matter was discussed here in this house many divergent views were expressed; this has the effect of taking off all limitations to the discussion of the matter, provided that an hon, member discusses the mobilization of man-power and all other resources of this country. Moreover-

The CHAIRMAN: Order. I should like the hon. member to limit his remarks to the interpretation of standing order 58. We are now on a point of order as to whether, on the short title, a general discussion can be permitted.

Mr. POULIOT: Exactly, sir; I do not want to go further. I was just giving that as an illustration of the wide scope of discussion under the rule. Moreover, I submit that the subject matter of any discussion allowed by the Chair, either when Mr. Speaker was in the Chair or when you, sir, were in the Chair, could be referred to, provided it was while this bill was under discussion on second reading. The reason is obvious. It is the very same bill, and although hon. members are not permitted to refer to former speeches while asking questions on the orders of the day, they are surely allowed to refer to statements

[The Chairman.]

made on the second reading of the bill, and to take advantage of them to ask questions of the government, or even of the leader of the opposition or any other hon. member.

Therefore, without discussing the merits of the bill which is now before us, I bring to your attention the two points. The first reason why the scope of the discussion is unlimited, provided that the mobilization of man-power or of other resources is the subject of discussion, is that the bill has been drafted in such a way that it is impossible to know what it means; therefore we can know this only by asking questions. We have to get some understanding before voting. If the bill is read and nobody knows what it means, it can be interpreted just as that story about the bible. A clergyman was reading the bible and speaking about Eve, the wife of Adam. Turning over two pages at once, he said, "She was covered with tar both outside and inside". That of course referred to Noah's ark. The same might be said about the interpretation that could be given to the bill. Therefore, sir, I hope you will be very broad in allowing discussion.

Mr. McIVOR: Speaking to the point of order, I have tried to keep as quiet as possible on this matter because of the length of the former debate, some six weeks or more, and it is putting a heavy load upon the whips to try to keep a quorum in this house to listen to those who want to make more long speeches on this issue. I do not wish to advise the chairman, but I think he would show wisdom by hewing close to the line and allowing nothing to come in that is not relevant.

Mr. HANSON (York-Sunbury): On the point of order, I think I understand the rule. What I proposed to say would be entirely referable to section 3, which is the repealing clause, and if I must proceed under that section I shall be content to do so. But I thought that for convenience, and following the practice which has come to be almost universal, I might be allowed to do so on the short title. A moment ago I was not allowed by you, Mr. Chairman, to proceed. I am not finding fault with that, because certainly I have no great desire to see a prolonged debate upon this matter, but there are certain things I think should be said. I can say them under section 3 if necessary; for I have no doubt that under that section anything and everything would be in order that could be said about this bill at any time. If the committee will not grant me the indulgence of making my remarks on the short title, then I shall

4544

a day or a week or a month. You have to take a proportion of the profits for a year when the profit and loss account is made up, when the statement is prepared, and that must apply in the case of these companies.

Amendment agreed to.

Resolution 28 (formerly 26) as amended agreed to.

Resolutions reported, read the second time and concurred in. Mr. Ilsley thereupon moved for leave to introduce Bill No. 115, to amend the Income War Tax Act.

Motion agreed to and bill read the first time.

DOMINION SUCCESSION DUTY ACT

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 112, to amend the Dominion Succession Duty Act.

Motion agreed to and bill read the first time.

EXCESS PROFITS TAX ACT, 1940

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 113, to amend the Excess Profits Tax Act, 1940.

Motion agreed to and bill read the first time.

SPECIAL WAR REVENUE ACT

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 114, to amend the Special War Revenue Act.

Motion agreed to and bill read the first time.

PRIVATE BILLS

FIRST AND SECOND READINGS

Bill No. 116, to incorporate Canadian Alliance Insurance Company—Mr. Bertrand (Laurier).

Bill No. 117, to incorporate The Felician Sisters of Winnipeg-Mr. Howden.

Bill No. 118, for the relief of Bessie McKenzie Balfour Whiteley Willard—Mr. Boucher.

Bill No. 119, for the relief of Ada Lahn Corber-Mr. Bercovitch.

MOBILIZATION ACT

AMENDMENT TO REPEAL SECTION 3 PROVIDING LIMITATION IN RESPECT TO SERVICE OVERSEAS

The house resumed from Tuesday, July 7, consideration in committee of Bill No. 80, to amend the National Resources Mobilization Act, 1940—Mr. Mackenzie King—Mr. Vien in the chair.

On section 1-short title.

Mr. HANSON (York-Sunbury): I should like to make some observations on this section at this time, and as they will be of some little length I crave the indulgence of the committee in doing so.

The CHAIRMAN: I wish to call the attention of the committee to my difficulty in applying the rules. Standing order 58 is binding on the Chairman, and unless there is unanimous consent to suspend it, I would be unable to apply it equally to all members if I allowed the hon. gentleman to proceed. Under this rule no general statement may be made, either by the leader of the opposition or by anyone else in committee. The rule states that the debate must be strictly relevant to the clause before the committee. By unanimous consent, the short title clause has often given occasion for a general discussion on the principle of a bill, but this can take place only by unanimous consent. If at this moment the leader of the opposition made a general statement, where should I draw the line, and how could I prevent other hon. members from engaging in a general discussion?

Mr. HANSON (York-Sunbury): I do not desire in any respect to challenge the interpretation which you, sir, put upon the rule. If it is necessary to do so I shall ask the unanimous consent of the committee while I make this speech, because for obvious reasons the position in which I find myself arises out of what took place here on July 7, when the Prime Minister, in closing the debate on the second reading, made a new and what was to me a startling change of policy.

The CHAIRMAN: Order. The remarks of the leader of the opposition raise another fundamental question of procedure, and a point of order. The leader of the opposition is referring to the debate which took place not in committee but in the house on second reading of the bill. On the second reading a general discussion developed which lasted several weeks, and before the Prime Minister concluded the debate His Honour the Speaker drew the attention of the house to the fact that the speech of the Prime Minister would conclude the debate. Then a vote was taken. References to that debate, concluded by a vote in the house, would be out of order in committee.

Standing order 58 is not ambiguous. It does not give rise to the application of canons. It is in clear language. Subsection 2 of standing order 58 states:

2. Speeches in committee of the whole house must be strictly relevant to the item or clause under consideration. Mr. ILSLEY: There are many on which no tax is collected, because the total income is not taxable. It is below the exemption.

Amendment agreed to.

Mr. ILSLEY: The other amendment is:

(f) Resolution 11 shall be deemed to have come into force on the first day of July, 1942, and to apply to one-half of the profits of the calendar year 1942 and to the profits of all subsequent years and fiscal periods ending after June 30, 1942, and prior to June 30, 1943, the said enactment shall be applicable to that portion of the profits in any such fiscal period which the number of days therein after June 30, 1942, bears to the total number of days of such fiscal period.

That is the royalty company tax.

Mr. GIBSON: I so move.

Mr. ILSLEY: The hon. member for Vancouver South asked a question based on this resolution. His question was: How is it that it is only payments to prospecting syndicates out of the profits of years which end in 1942 which may be used as deductions from income for income tax purposes? That may be a mistake, or it may not be; I will look into it before the bill is brought in. It may be that all the payments of companies whose years have ended before this in 1942 that are expected to be made have already been made. This prospecting programme has been under way for some time, and perhaps, as regards companies whose fiscal years ended, let us say, on March 31 or since, it was not planned that payments made in their new year, that is their year ending in the calendar year 1943, were to qualify. But I shall have to look into that. It was a plan worked out by several departments-the metals controller, the mines department, the finance department, and so on, and if there should be an alteration we will make it in the bill.

Mr. GREEN: When was the minister's previous announcement made?

Mr. ILSLEY: I am told it was on April 30.

Mr. GREEN: Then these companies would have no way of knowing before April 30?

Mr. ILSLEY: That is right. It looks as though it should be changed; I will admit that.

Mr. ROSS (Calgary East): The minister stated in reference to resolution 11 that these royalty companies would be required to pay half the profits made in 1942. If it is left that way it is going to lead to a great deal of confusion. If the minister would say that all profits since July 1, 1942, would be taxed, it would simplify matters a great deal, because

[Mr. Jackman.]

the profits made prior to July 1 have already been distributed and are now in the hands of the holders.

Mr. ILSLEY: That is what this means, I think.

Mr. ROSS (Calgary East): That is not what was stated. The minister said, as I understood, half the profits for the year 1942.

Mr. ILSLEY: I will read it again:

Resolution 11 shall be deemed to have come into force on the first day of July, 1942, and to apply to one-half of the profits of the calendar year 1942. . . .

Mr. ROSS (Calgary East): You say, "onehalf of the profits of the calendar year 1942." If you would say, "all profits made since the first day of July, 1942." it would mean a good deal less bookkeeping.

Mr. ILSLEY: I do not think you can get at profits for a month or a week.

Mr. ROSS (Calgary East): Yes; the profits are paid monthly, as the oil is sold. It is sold every month and the profits are divided every month among royalty holders.

Mr. ILSLEY: Are those the profits for the month?

Mr. ROSS (Calgary East): On July 1 they pay the profits for the June operations.

Mr. ILSLEY: I will look into that. The way we deal with companies generally is to consider that the profits are for the twelvemonth period or for the fiscal period.

Mr. ROSS (Calgary East): Yes, but these are peculiar companies.

Mr. ILSLEY: Can profits for a day be determined?

Mr. ROSS (Calgary East): Oh, yes. Oil is sold every day.

Mr. ILSLEY: What are the expenses allocable to that day? Somebody has expenses.

Mr. ROSS (Calgary East): I believe they allocate the expenses every two weeks, or every month, anyway.

Mr. ILSLEY: The hon. gentleman knows a good deal more about this than I do, but surely there are times of the year when there are special expenses, large expenses, lump sum expenses, and these would have to be spread over a fiscal period of some kind. What about depreciation? What about depletion? Do those not apply in this case? My point is that unless you have a fiscal period of some duration—it might be six months or twelve months—you cannot determine what the profits are. You cannot determine the profits for It cannot continue to pay that dividend because of the increased tax in the budget, because of the increased costs of operations, and because its rates are frozen under the price ceiling scheme.

Would it not have been less disturbing to industry, more just, and even equally effective in raising revenue for the treasury— I am putting it on that principle as well as the other—if a normal tax of 18 per cent, as against 30 per cent in the new budget, were collected and a 100 per cent Excess Profits Tax Act, with no rebate, enacted? That is the theorem I am propounding.

Under the present budget, those earning slightly more than standard profits are the hardest hit. Thus a company earning 1563 per cent of standard profits under the last budget would have 94 per cent of standard profits available for dividends. Now such a company only has 70 per cent, while companies prospering most from the war recover 20 per cent of the profits liable to the 100 per cent tax. Thus, moderate profits are reduced by taxation from 94 per cent to 70 per cent, but taxes on the higher bracket profits are increased only from 75 per cent to 80 per cent-that is, 75 per cent as against 100 per cent minus 20 per cent credit, equalling 80 per cent.

It is true that the total income of the government from corporation taxes, including the rebate, is greatly increased under the present budget; I admit that. But personal incomes, and therefore personal income taxes, will be greatly reduced through reductions in dividends. Personal income taxes will go down. They are bound to do so if the lead given by the two banks to which I have referred is followed all along the line, as I fear it may be.

Deducting rebates, which are forced savings, the net taxes which the government will receive may very well be much the same as in the past year, or even be actually reduced. And whatever the merit of forced saving for the individual, it has not the same merit for the corporations. What they have invested in rebatable tax will reduce by the same amount their ability to buy government bonds. That is a factor to which I have not heard previous reference. These people will be expected to buy government bonds, and how can they do both? Pledge their credit, I suppose. Many of them have had to do it in the past. Even if they never would buy bonds and, by the present scheme, are compelled to help finance government expenditures, this only means that their position with their bankers has been changed.

They will have to lean on their credit with the banks to a greater degree than they would without the 20 per cent. It has not meant that there has been more money made available. A corporation, unlike individuals, does not let money burn a hole in its pocket.

I hope the minister will read over these observations, because they do state some truths. It is too late to give effect to these principles in this budget, but I am hopeful that by the time another budget comes around, if the minister is in his present position, he will think seriously over the statement I have made and the principles I have endeavoured to enunciate.

Mr. ILSLEY: This resolution, Mr. Chairman, requires certain amendments. The first is:

That resolution 26 be renumbered resolution 28, and that paragraph (a) thereof be rescinded and the following substituted therefor:

(a) that paragraph (a) therefor: therefor:
(a) Resolutions 1 to 10, inclusive, and 12 to 15, inclusive, 20, 21, 26 and 27 shall be applicable to the income of the 1942 taxation period and fiscal periods ending therein and to all subsequent periods.

Mr. GIBSON: I so move.

Mr. HANSON (York-Sunbury): What is the effect of these changes? I cannot follow them.

Mr. ILSLEY: The effect of this change is simply this. Resolution 11, the one about royalties, is left out, because, as I stated this morning, we do not propose to apply this tax on royalty companies in fiscal periods ending in 1942; we intend to start it at July 1, 1942, to apply from then on. Also we have put in resolutions 26 and 27, which relate to the alimony and to the members of the armed forces.

Mr. JACKMAN: The minister undertook the other day to explain whether or not there was any discrimination in taxation on residences occupied by ministers of various religions throughout Canada.

Mr. ILSLEY: The value of the residences occupied by all clergymen is taxable; that is about all I can say. In a good many cases clergymen do not have enough income to be taxable.

Mr. JACKMAN: In the case which the leader of the opposition put before the minister the other evening there was very definitely a tax on the value of the rental. I asked whether there were any residences occupied by ministers, of various denominations, which were not taxable. I did not say theoretically taxable. I mean, is there any tax collected on them? the service, or at a later time. If to make that suggestion is an offence, then I am guilty. But I believe I would be doing those men a very great service in the long run.

Mr. MACKENZIE (Vancouver Centre): May I say to the hon. member for Souris that the private, single, who is overseas, and is on deferred pay for ten months, upon his return will have to his credit, plus rehabilitation, exactly the amount of the 16 per cent required under the land settlement bill.

Mr. ROSS (Souris): I had reference more to the married man who has to assign a portion of his pay. His wife and family are using that money to live on. He will need assistance more than the single man.

Mr. ILSLEY: The figures I gave for incomes did not include subsistence. For all the officers I mentioned, in order to get at their incomes, subsistence would have to be added. Out of quarters it is \$1.70 a day. Some are considerably higher than that. That means adding to the incomes I gave \$620 a year.

Mr. GREEN: For a comparatively small number. Take the men in the battalions and batteries defending this country to-day. They are all in quarters. They are with their units.

Mr. ILSLEY: They get subsistence.

Mr. GREEN: They get rations.

Mr. ILSLEY: Rations in lieu of subsistence.

Amendment agreed to.

Resolution 27 (new) agreed to.

Mr. JACKMAN: Mr. Chairman, I wish to revert to the previous resolution, having to do with alimony, which was introduced without advance notice, so that we could not possibly examine it thoroughly.

The CHAIRMAN: It was carried. We could revert to it only by unanimous consent.

Mr. JACKMAN: I ask for unanimous consent.

Mr. ILSLEY: It is all right with me.

Some hon. MEMBERS: No.

The CHAIRMAN: I am sorry. The former resolution 26 is renumbered and becomes 28.

28. That any enactments founded on

(a) Resolutions 1 to 15 inclusive, 20 and 21 shall be applicable to the income of the 1942 taxation period and fiscal periods ending therein and to all subsequent periods:

(b) Resolution 16 shall be applicable to the income of 1943 taxation period and fiscal periods ending therein and all subsequent periods;

[Mr. R. B. Hanson.]

(c) Resolution 17 shall be applicable only to the income of the 1942 taxation period and fiscal periods ending therein;

(d) Resolution 18 shall be applicable to the income of the 1941 taxation period and fiscal periods ending therein and all subsequent periods;

(e) Resolution 19 shall be deemed to have come into force on the 24th day of June, 1942, and shall be applicable to all payments made on and after the said date.

Mr. HANSON (York-Sunbury): This is the last resolution, Mr. Chairman, is it not?

The CHAIRMAN: Yes.

Mr. HANSON (York-Sunbury): I think it appropriate that I should make just two or three general observations on the budget resolutions before they are reported. They may not be exactly pertinent to personal income tax, but it is too late for me to make any observations on the excess profits tax.

A day or two ago I asked for some information with respect to the progress that had been made in fixing standard profits for depressed industries. I have not yet received that. I was hoping the minister would give me the information before these resolutions were reported.

It is becoming increasingly apparent, if one watches the trend of the stock market quotations and of events themselves, that this budget will have the effect of compelling wholesale reduction of dividends. Only this morning I saw an announcement that two of the larger banks had reduced their dividends from eight to six per cent. The reason for that, I apprehend, is that no company can now retain or dispose of more than 70 per cent of the standard profits. No company will take the risk of disposing, by way of dividends, of all the profits which it is allowed to retain, and hereafter less than 70 per cent of standard profits, so long as the present high level of taxation is maintained, will be distributed.

Mr. GILLIS: Sabotage.

Mr. HANSON (York-Sunbury): No; I am just pointing out the effects of the budget on dividend payments because of the high taxation imposed. I am not saying whether it is right or wrong. I have my own opinions about that. But I think it will be accepted that the statement I have made in this regard is correct. The evidence is accumulating that the minister is going to get less in taxation from sources which should pay and have been paying a substantial amount of money. That will be true of industrial concerns and true also of public utilities. I know of one public utility company which I am sure cannot go on paying its moderate dividend of 5 per cent.

Income War Tax Act

from day to day an amount would be added to these men's pay. It should not be taken away from them by income tax. That, it seems to me, is the proper position parliament should be taking at this time, because when these men return to Canada the problem of rehabilitation for them is going to be much greater than that which will face those of us who are in the civilian population. It will be a great deal more difficult than the problem faced by you or by me as we sit in this chamber. Those men have been lifted out of their civilian occupations and have been put in entirely different positions. Perhaps they will remain in those positions for three or four or five long years, years which will be taken from their lives-and a good many men in this house who came through the last war know what that means.

Instead of our debating how much we are going to take away from men in the armed forces, we should be debating how much we are going to add to their incomes from day to day, how much we are going to put aside by way of war savings certificates or some other such method. In any event a substantial sum should be put aside so that when these men come back they will have a stake in this country, and something worth while to return to.

That, it seems to me, is the proper perspective which we as members of parliament should have. That is the way in which the minister should be tackling this whole problem and coming to grips with it this afternoon.

The CHAIRMAN: I would point out, first, that the question of pay for officers, noncommissioned officers and men is not now before the committee. Second, the question of exempting, to a certain extent, officers or others in the armed forces from the operation of the income tax has been debated ad nauseam, and it is not proper to repeat an argument which has already been made often. If the minister cannot agree to hon. members' suggestions, then the only remedy is by way of vote. It is my duty to draw hon. members' attention to this question of procedure.

Mr. MacINNIS: Mr. Chairman, your ruling has robbed the committee of a very good speech. However I shall have to content myself with something less. I had some good ideas as to how we might get the meat out of the nest-egg after the war is over, but I shall not enlarge upon them.

It is a bad principle to try to increase a person's income by exemption from income tax. If we have adopted the principle of taxing the incomes of persons in the armed forces, and if after we have applied the tax equitably, as it is applied to all other people, it is found that the income of one class is too low as compared with that of another class, the proper way to get over the difficulty is to increase the income—not to increase it by exemption from income tax. I object to the principle of raising a person's income by allowing tax exemption. That is not a proper way to do it. Neither is it fair to the minister to be continually pressing for exemptions of this kind. If incomes are not high enough, let us take the proper procedure and make them high enough—but not by exemption from taxation.

Mr. ROSS (Souris): I should like to support what has been said by the hon. member for Peel. With reference to the ruling of the Chair I would point out that we are debating the savings provision. In that connection I would agree with the minister. On Monday a bill was passed which, since its passage, has given me some concern. We have now in our armed forces many men who are agriculturists and who, upon their return, will wish to take advantage of that bill. They must be in a position to pay down 10 per cent, or they will not be permitted to avail themselves of the advantages offered in that legislation. I believe the minister is justified in setting up a savings clause, as he has done. But I do not think it goes far enough. He will probably have to take the advice offered by the hon. member for Peel, and do something more to enhance the pay of our men in the armed forces. It may have to be done by saving for them, so that when they come back they can get off to a good start. Many of the finest young farmers in the country are in the armed forces, and if something is not done to save money for them they will not be able on their return to Canada to come under the provisions of the Veterans' Land Act. They will not have funds sufficient to pay the required 10 per cent. The savings clause is all to the good and should be enlarged upon.

Mr. HANSON (York-Sunbury): In my innocence, and being somewhat old-fashioned, and a great believer in the virtue of thrift, I seem to have got into some little difficulty with some of my friends. I was not suggesting that there should be increased taxation, as such, on anybody. What I was saying was that probably in the case of these warrant officers, the only group of non-commissioned officers to which the minister referred in his table, some provision for compulsory saving might well have been made. They might well be asked to pay it in, and have the amount returned to them with interest upon their discharge from Mr. GREEN: Why was it not possible to give these officers an exemption equal to the pay of the sergeant-major, and then tax them on everything over that? Why could this not have been done?

Mr. ILSLEY: Well, that would be an exemption of \$1,600 of income from taxation in regard to everyone on service in Canada, would it not?

Mr. GREEN: Why could that not be done?

Mr. ILSLEY: There would be a terrific loss of revenue.

Mr. HANSON (York-Sunbury): Did the minister give consideration to having these top N.C.O's. save something also, and in that way equalize the condition?

Mr. ILSLEY: Yes, I did.

Mr. HANSON (York-Sunbury): They get much more than I thought they did, and I would not be opposed to imposing upon them the necessity of saving something and lending part of that money to the country.

Mr. ILSLEY: I wholly agree.

Mr. HANSON (York-Sunbury): Why should we not do it, then? That would level out the position and maintain the distinction. Surely there are not so very many of these men. I should not think nearly as many as there are junior officers.

Mr. ILSLEY: You would have to apply that to all non-commissioned officers, of whom there are some 66,000. I am in favour of that being done, but I do not know that the army or the navy or the air force are in favour of it. When they do come to the conclusion that it should be done they can defer the pay and equalize the cash position.

Mr. HANSON (York-Sunbury): They can do it now?

Mr. ILSLEY: Yes.

Mr. ROSS (Souris): I do not know whether my leader was referring to all non-commissioned officers or just to warrant officers.

Mr. HANSON (York-Sunbury): I was thinking of the warrant officers.

Mr. ROSS (Souris): There is a discrepancy, and taking all things into consideration the warrant officer is much better off than the junior commissioned officer, who is senior to him, so that there might be some justification for some action of this kind. But I would not want it to be felt that all non-commissioned officers below that rank should be included.

[Mr. Ilsley.]

Mr. HANSON (York-Sunbury): I had reference only to the man in relation to whom the figures were given.

Mr. GRAYDON: I find myself in a very unusual position; that is, in disagreement with some on this side of the house and also with the minister in respect to the question just raised.

Mr. ILSLEY: The latter is not unusual.

Mr. GRAYDON: No, it is not, and there are very good reasons why that should be so. But I wonder if we have the proper perspective of this whole matter. There is such a thing as not being able to see the forest for the trees. Do we realize that at this moment we are discussing the question of imposing taxation upon the men of our armed forces. when they are fighting to preserve the very system of taxation that now exists in this country? I believe we are following the wrong principle. If parliament wants to preserve its prestige we should not attempt to tax our men in the armed forces. I cannot agree with my good friend and leader. Sometimes he disagrees with me; and certainly I disagree with him on this point. So far as warrant officers are concerned, I do not believe we should tax anyone in our armed forces who is not now taxed.

I repeat, it seems to me we are following a wrong principle. It is all very well for us to say that this will allow some brass hats to go free of income tax. But that is not the principle about which we have to be concerned. If there are brass hats who should not have positions in the armed forces of our country, then it is for the Minister of National Defence to reduce them to the proper rank. If they are getting too much money now, surely it is not the job of the Department of Finance to see that through income tax they are brought down to their proper level. Surely it is not for that department to bring about this result by some savings scheme.

I offer what seems to me a tenable argument, namely that as best we can we should preserve the morale of our forces. I do not believe that morale can be preserved if we indulge in long debates about taxing what they get by way of pay and allowances, whether they be in Canada or somewhere else. When we take this position with respect to the men in our forces we in parliament are belittling our position. I believe I am on solid ground when I say-and I mean every word of it-that the government ought not to tax the pay of these men; it should be setting up a first-class nest-egg scheme rather than taking something away from them. There should be some such scheme under which

Mr. GREEN: Would the minister deduct from those figures the refundable tax these officers have to pay? That is the only way to arrive at the actual income they will get.

Mr. ILSLEY: I do not admit that, and I have proceeded on the opposite principle, which I think is the right principle. And I do not agree with the doctrine that it does not make any difference whether men save or not, no matter where they are. There is just as much reason for saving in the case of men in the army as anywhere else. I know the hon. member does not agree with that; he proceeds on a different principle altogether, but I am expressing my views, and I think they are sounder views. If the hon, member had advocated that there be some deferred pay for non-commissioned officers, he would have been on much sounder ground than he is in saying there should not be any saving for commissioned officers. That is what I think, but I will not press those views because that is not for me to say.

Mr. HANSON (York-Sunbury): Do the figures the minister has given represent what is left after the tax and compulsory savings are taken away?

Mr. ILSLEY: Yes.

Mr. GREEN: No, they do not.

Mr. ILSLEY: As soon as hon. gentlemen subside I will give those figures; I have been trying to give them for some time. The net income, after tax and savings are deducted, of the top N.C.O. is \$1,533; of the second lieutenant and pilot officer, \$1,427; of the lieutenant and flying officer, \$1,454; of the captain and flight lieutenant, \$1,604, and of the major and squadron leader, \$1,849. That is for single men.

Mr. GREEN: So that in two cases they are still getting less than the N.C.O.?

Mr. ILSLEY: Yes, but they have an asset. They are saving that money and drawing interest on it, and our effort should be to get the non-commissioned officers to save, either voluntarily or compulsorily, so that they will have savings also. That is my opinion.

Income War Tax Act

Mr. ROSS (Souris): In reference to the question raised by the hon. member for Lake Centre and the hon. member for Lambton West, if these flying instructors, when seconded to the elementary schools, are classed as civilians for income tax purposes, I think that is very unfair. I would doubt that they were so classed; I should think they would still be protected, because they are only on loan. I should like the minister to clear up that point. With respect to the question just raised by the hon. member for Vancouver South, I think there should be some greater distinction between the warrant officer and the commissioned officer. The present situation will lead to difficulties in the army in matters of promotion, and so on, because a commissioned officer has certain undertakings and obligations he must discharge, about which the warrant officer or N.C.O. does not need to worry. I do not think we have the proper distinction there. I differ to some extent with some of the opinions that have been expressed here. I quite agree that everyone should be encouraged to save something, but I do believe the distinction created by this taxation between a warrant officer and a commissioned officer is very unfair and will lead to difficulties in the armed forces. Perhaps the minister would clear up that matter of the flying instructors who are seconded to elementary schools, because I think it is very important.

Mr. ILSLEY: Before the bill comes in I will find out the interpretation. My impression is that under the interpretation, since they are paid by private employers, not by the government, they are therefore taxable.

Mr. GREEN: Would the minister give the figures in connection with married officers and married non-commissioned officers?

Mr. ILSLEY: Yes. The figures are as follows:

Married—No children	Top N.C.O.	Second Lieut. Pilot Officer	Lieutenant Fl. Officer	Captain Flt. Lieut.	Major Sqn. Ldr.
Net income after tax deduction only Net income after deducting tax and savings Married—One child Net income after tax deduction only	\$2,013	\$2,080	\$2,080	\$2,399	\$2,719
	2,013	1,871	1,843	2,102	2,370
	2,157	2,224	2,236	2,628	2,952
Net income after deducting tax and savings Married—Two children	2,157	2,011	1,962	2,285	2,552
Net income after tax deduction only Net income after deducting tax and savings	2,301	2,368	2,402	2,859	3,189
	2,301	2,177	2,151	2,468	2,736

Mr. DIEFENBAKER: No, these are not civilian instructors.

Mr. GRAY: They may be seconded one month, they may be brought back to a service flying school the next month. They are not like Trans-Canada Air Lines pilots, who make that their livelihood; they are seconded to that school by the Royal Canadian Air Force and therefore are subject to the rules and regulations of the Royal Canadian Air Force. They are entirely different from pilots in the T.C.A., who are pilots of their own choice.

Mr. ILSLEY: Are they exempted by the resolution?

Mr. GRAY: I do not know.

Mr. ILSLEY: I do not think we should change the resolution. If it is wrongly interpreted, we should interpret it correctly, but the moment we begin to change it to deal with civilians we shall never end.

Mr. GREEN: I have not had an opportunity to read the proposed amendment, but as I understand it, the effect of the change is that whereas at the present time an officer is taxed on his pay and his dependents' allowance and on a portion of his subsistence allowance—or I presume where he is in a mess that really means he is taxed on a portion of the cost of his rations—

Mr. ILSLEY: He is taxed on 70 cents a day.

Mr. GREEN: He is not taxed on the full cost of \$1.70 but on 70 cents a day. I understand the proposal is that now he will not be taxed on this 70 cents a day.

Mr. ILSLEY: That is right.

Mr. GREEN: For three hundred and sixtyfive days in the year that comes to \$255.50. So that the amendment means that he will be taxed on \$255.50 less than he has been in the past. According to my calculation, that means that for normal tax the sum of \$17.85 will be saved, and on the graduated tax, taking it at 30 per cent, which is the lowest rate—actually some will be charged at the higher rate, I presume-it comes to something over \$76. So that the amendment will mean that he will save something less than \$100. I am not sure that these figures are correct, but I think they are approximately right. Then there is the further provision to be made, that if that still leaves him with less income than a sergeant-major he is not to be taxed so that his income is lower than that of a sergeant-major. But there is this exception, that the refundable portion of his tax can still be taken from [Mr. Ilsley.]

him, so that in effect he will still be getting less than a sergeant-major. I submit that the refundable portion should not be taxed against an officer. The reason for levying that tax is to set aside a fund which the man, civilian or officer, can use to help reestablish himself after the war. The duty of reestablishing these officers rests with the Canadian government Officers and men in the forces are entitled to be reestablished by the government. They should not have to pay the refundable portion of the tax at all. I suggest to the minister that that should be dropped, that they should not be asked to pay any of the refundable portion of the tax, putting them in the same category as people over sixty-five years of age who do not have to pay the refundable portion.

As I understand it, the general result of this change will be that the sergeant-major and the lieutenant and the captain will all be getting about the same pay.

Mr. ILSLEY: No, that is not right.

Mr. GREEN: Or very close to the same.

Mr. ILSLEY: It is a long way from that.

Mr. GREEN: I cannot see how the saving of \$100 in the tax can put the lieutenant and the captain above the pay of a sergeant-major, because with those ranks, in the army at any rate, the discrepancy now is far more than \$100.

Mr. GIBSON: That is only part of the saving.

Mr. ILSLEY: Let me answer the hon. member for York South. A second lieutenant and a pilot officer will have a tax benefit of \$369 by this proposal if single, and \$338 if married with no dependents.

Mr. GREEN: Will the minister explain how it is that the lieutenant and the captain will not be reduced to the pay of a sergeantmajor?

Mr. ILSLEY: I give the net income after tax under this proposal. The top non-commissioned officer in the army and the air force will get \$1,533.

An hon. MEMBER: Is that a warrant officer?

Mr. ILSLEY: Yes.

An hon. MEMBER: That is single?

Mr. ILSLEY: Yes, I am talking about single now. The second lieutenant and the pilot officer will have \$1,551. The lieutenant and the flying officer will have \$1,600; the captain and the flight lieutenant will have \$1,794; the major and the squadron leader will have \$2,075.

4536

Mr. ILSLEY: It would mean that the commissioner of income tax or someone else would be picking out officers and taxing them while other officers would not be taxed. It would create hard feelings.

Mr. HANSON (York-Sunbury): It is a question of doing it properly.

Mr. ILSLEY: General rules must be applied in matters of this kind.

Mr. DIEFENBAKER: There is one group I would bring to the attention of the minister. As a result of changes recently effected, particularly in connection with the operation of elementary flying training schools, quite a large number of sergeant pilots are being transferred from time to time to the elementary flying training schools as instructors. They are doing as dangerous work as they would do if they remained in the service of the air force in Canada. The only difference is that during the time they are with the elementary school they cease to hold their official rank in the air force. They are seconded to the school and they proceed with instructional work; yet under the terms of this amendment they would not be entitled to any exemption. These young men, if they were transferred to the service training schools as sergeant pilots, would be exempt, but because of the fact that they are sent to elementary schools operated by private individuals they are treated as civilians for the time being and cease to enjoy the rights that would otherwise be theirs. I do not think it would be unfair, and it would not change the principle in any way to include these men. They are not serving in the elementary schools because of their own wish or desire, but because they are carrying out orders. Some are sent overseas, some are sent to instructional schools for further training, others are sent to the service flying training schools as instructors, and in all these eventualities they are exempt. But because of the fact that, pursuant to discipline, they are seconded to elementary schools, they are denied exemption. I suggest that consideration be given the question of including these young men in the exemptions. I might point out an anomaly in the air force that should be done away with. It is that, non-commissioned officers, while serving with commissioned officers, receive a dollar a day less flying pay than the officer.

Mr. ILSLEY: It is not taxed.

Mr. DIEFENBAKER: But when they are in the elementary school all of it is taxable as the bill now stands, and there is a considerable number of young men in this classification. They have all the danger and none of the

glory. I suggest that this resolution be so altered as to exempt non-commissioned officers who are seconded to elementary schools.

Mr. NOSEWORTHY: Can the minister give us a rough estimate of the difference which resolution 27 will make in the pay of a second lieutenant in the army and a flying officer in the air force?

Mr. ILSLEY: I shall have some more information in a minute. I have it here but it has to be worked out. With regard to the observations of the member for Lake Centre (Mr. Diefenbaker), representations have been received from instructors in the elementary training schools to the same effect as those he has made. Unless we adhere to the line between members of the service and those outside we can never adhere to any line. I have also had representations from the pilots of Trans-Canada Air Lines, who contend that they are just as much entitled to income tax concessions as those who are in the forces. They do not go the length of saying that they should be entirely freed from taxation, but they say they should be given some consideration, that their tax should be lessened to some extent.

Mr. HANSON (York-Sunbury): Do they not get very high pay?

Mr. ILSLEY: They admit that they get high pay, but they say that even so it is unfair for them to pay taxes if those who fly in the air force are not taxed. If we go among civilians and begin exempting them from income tax I do not know where we shall stop. I do not know what the end will be if we lay down risk and danger as a justification for exemption from income tax. In that case, what about workers in explosives plants?

Mr. HANSON (York-Sunbury): Is it not service?

Mr. ILSLEY: It is restricted to service now, but the hon. member for Lake Centre is asking that it be extended to those in civilian employment who have been in service.

Mr. DIEFENBAKER: No, the minister has not followed me. I am speaking of the non-commissioned officers, sergeant pilots in the Royal Canadian Air Force, who complete their course and receive their wings and are seconded to civilian schools. They enlisted for service in the R.C.A.F.; they are still sergeant pilots, but they are not doing military duty during the time they are in the civilian schools.

Mr. ILSLEY: That is exactly what I said.

harm in going the whole way and freeing subsistence altogether. That is what we are doing, and it will mean a considerable concession to the whole range of officers. But I do not think we can free dependents' allowances from taxation, because that is part of the income of the officer. It is paid to him or paid on his account to his dependents; it is certainly part of the same sort of income on which anybody else is taxed. This is the resolution:

That the following resolution be added as resolution No. 27:

27. (a) That subsistence allowances received or deemed to be received by commissioned officers of the armed forces serving in Canada shall not be taxable income, unless such allowance exceeds the rate of \$1.70 per day, in which case the excess over \$1.70 per day shall be taxable income.

(b) That the payment of tax, exclusive of the refundable portion, as calculated under the provisions of the foregoing resolutions, shall not reduce the income of any commissioned officer serving in the armed forces in Canada below the level of \$1,600 if not in receipt of allowances in respect of dependents, and below the level of \$1,600 increased by the amount of the allowances in respect of dependents payable to the highest rank of non-commissioned officer in the same service and having the same number of dependents.

That is the proposal. It will mean a somewhat substantial reduction in the taxation of the lower commissioned ranks.

Mr. GIBSON: I so move.

Mr. HANSON (York-Sunbury): How much loss of revenue?

Mr. ILSLEY: I am not sure. About \$4,000,000, I think.

Mr. HANSON (York-Sunbury): That, of course, is a substantial sum, and to that extent it is relief of these lower-taxed officers. Has the minister given any consideration to the suggestion I made—I am free to say it was the only one I could think of on the spur of the moment-that officers in Canada who it is never contemplated will go outside Canada, and who are actually not fighting men, should be recategorized in one classification, and the others in another?-because I think it was the intention of parliament that fighting men were to be given consideration. I shall not go over the ground which was traversed here by many hon. members in regard to the men who have been brought back from overseas. I am thinking of my friend Major-General Ganong, who has just been brought back with the rank of major-general to take command of the eighth division, and wondering how he is going to fare.

If a concrete illustration were desired, take the position of a high ranking officer of the [Mr. Ilsley.] air force, we will say the man in charge of an air station, say in Newfoundland, and his opposite number in Canada. Assume that the pay is around \$10,000; is there not an advantage to the man in Newfoundland of over \$3,000 as against the man in Canada?

Mr. ILSLEY: That is true.

Mr. HANSON (York-Sunbury): I have seen that stated. I have not checked on it, but the minister can correct me if it is wrong.

Mr. ILSLEY: It is not wrong.

Mr. HANSON (York-Sunbury): It is a substantial amount in the high brackets. As to the other suggestion, what would be the difference between the officer commanding in Newfoundland with \$10,000 a year, as opposed to the man in Canada with the same rank and salary? What would the man in Newfoundland save over the man in Canada?

Mr. ILSLEY: It is a matter of taking the tax on \$10,000.

Mr. HANSON (York-Sunbury): That is about \$4,500.

Mr. ILSLEY: Yes, for a married man with two children.

Mr. HANSON (York-Sunbury): We will assume that in both cases. Would not the man in Newfoundland be \$3,000 better off than the man in Canada? It is an anomalous situation.

Mr. ILSLEY: It would be \$3,346.

Mr. HANSON (York-Sunbury): Well. there is a man, a high ranking officer in the air force, but of a rank junior to the chief of general air staff. He may be in a combatant area. I do not know whether you would call Newfoundland a combatant area or not. I would want \$3,000 more to live in Newfoundland than in Ottawa; nevertheless he is a soldier and he has gone where he has been sent. I still think that this would perpetuate a great discrimination. I will not argue the point further. But could not the minister give some effect to the suggestion I made? If it was not worthy of consideration, all he has to do is to say so.

Mr. ILSLEY: I would not say it is not worthy of consideration, but I feel it would be absolutely impossible.

Mr. HANSON (York-Sunbury): Of administration?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): You have to draw the line.

4534

Income War Tax Act

Mr. ILSLEY: The new resolution 27 relates to the members of the forces. This, of course, is a question of great difficulty. The main practical difficulty created was this, that with the high rate of taxes certain commissioned officers after payment of tax were left with less net income than non-commissioed officers, and therefore, it was thought, non-commissioned officers would hesitate to accept promotions.

Mr. HANSON (York-Sunbury): That was one aspect of it.

Mr. ILSLEY: Yes, that was the main difficulty to overcome. Of course, the imposition of the higher rate of taxes accentuates the difference in tax treatment between those serving overseas and those serving in Canada, which would tend to a preference for serving outside of Canada or on the ocean, or qualifying for exemption as a flying officer. But we did not feel that there was any way in which we could overcome that. There would be one way, and that would be to remove income tax from officers in Canada altogether. That was advocated by certain hon. members, but it would be extremely costly. As I told the house, the cost under present budget rates, including compulsory savings, would be between fifteen and twenty-five million dollars, according to our estimates. Moreover I do not think that to do so would be in accordance with the sentiments of the house or of the public. It is not done in Great Britain or in the United States. Recent concessions in the latter country have gone a very short distance. So that we felt we had to dismiss that suggestion.

Another thing we might have done was to tax officers overseas, and tax non-commissioned officers, and even privates. Naturally we shrank from that course; because we have started the other way, it is very difficult to make a change of that kind, and probably it would have a detrimental effect on the morale of at least some of the troops. So that we thought we could not do that. There has been no demand of any magnitude or consequence on the part of the officers in Canada to be relieved of taxation. Some of them have felt that the present rates are pretty high, but the great bulk of representation has been that they do not wish to avoid taxation. We therefore had to work out a system which would leave untaxed the non-commissioned officers and privates, leave untaxed the officers overseas who are now untaxed, and at the same time soften to a certain extent the disparity in tax treatment between the officers in Canada and those overseas; also do away with the marginal problem, the problem of that dividing line between non-commissioned

officers and commissioned officers. The formula which has eventually been adopted, and which, although open to objection from several points of view, is the best I have been able to devise after a great deal of thought and work, is to free subsistence allowance up to \$1.70 per day from taxation. The surplus over \$1.70 will continue to be taxed, but freeing up to \$1.70 will free practically all subsistence from taxation, which will be a concession to all officers who are now taxed; and then to provide somewhat roughly, as the committee will see, that the payment of tax-I am not referring now to refundable tax-shall not reduce the income left to any officer below the income which the high noncommissioned officer receives. That is the general principle which has been applied.

Of course it will be readily apparent that if this is applied strictly there will be variations in tax credits, so to speak, to officers as between the different services, and moreover it will tend to level the amount of pay left to officers of various ranks. I thought when I started that the effect of it might be to make the amount of pay left to the major, the captain, the first lieutenant, the second lieuenant and the warrant officer, the same, which would be most undesirable. By working at this we have been able to get rid of most, although not all, of those difficulties, and what we have done is this. We have taken the pay of the warrant officer, who is not receiving trade pay; he is the non-commissioned officer receiving the highest pay. Pay varies between the three services. It is higher for the highest warrant officer in the navy than it is for the other two services; it ranges from fifteen hundred and some dollars to seventeen hundred and some dollars. So that we have taken the rough average of \$1,600, and we are going to ask the committee to provide that the taxation which is imposed on the officers will not reduce the pay of an officer below \$1,600 -that is, for the single officer. For those who are married, dependents' allowances must be added.

Mr. GREEN: Will they be taxed on dependents' allowances?

Mr. ILSLEY: Oh, yes. What is freed is the subsistence. Hon. members have contended that there is something anomalous about taxing subsistence. Of course there is not, according to ordinary taxation principles, but the treatment of the taxation of subsistence has not been logical here. The subsistence allowance for an officer is ordinarily \$1.70, and the income tax division has been taxing only 70 cents, deducting \$1 from the subsistence. Having gone that far, there is not much

Income War Tax Act

had taken out an insurance policy on young children in order to create a fund for their future education. I also referred to annuities on young children, and joint policies for man and wife. The minister was going to give an answer. Is it now ready?

Mr. ILSLEY: No; I shall give it on the bill.

Mr. GREEN: In the present resolution No. 26 I notice in paragraph (c) that the exemption given in respect of prospectors is applicable only to income of the 1942 taxation period, and fiscal periods ending therein.

Mr. ILSLEY: Yes.

Mr. GREEN: Why is it only for one year? As I read the latter part of the paragraph the result would be that if the fiscal period of a company ends on June 30 that particular company would not receive the benefit of the exemption.

Mr. ILSLEY: Correct. I should like to deal with that, however, when we come to it. There are other resolutions which come first.

Resolution 17 agreed to.

Mr. GIBSON: I move:

That the following resolution be added as resolution No. 26:

resolution No. 26: "26. That in the case of divorced persons or persons separated as to bed and board by judgment or decree of a competent court, or by a valid and binding agreement, and who are in fact living apart, any amount paid by one consort to the other under the terms of such judgment, decree or agreement, for the support of such consort and children, if any, shall be considered the separate income and taxable in the hands of the consort receiving such amount. The amount so paid shall not be allowed as a deduction from the income of the consort paying the same, but he shall be entitled to deduct from the total taxes payable by him on his total income, including the amount so paid to his consort, the amount of taxes payable on the alimony or separation allowance by the other consort as if it were her sole income as a single person with such children (if any) of the marriage as dependents as are in fact in her custody."

Mr. JACKMAN: That does not follow the United States practice.

Mr. HARRIS (Danforth): Could the minister answer the question I asked last night at eleven o'clock, as to whether the administrator or executor should encroach on the capital, in the event of succession duties and income tax being higher than the income?

Mr. ILSLEY: I looked at the hon. member's question, and will consider it when the bill is brought down. I have not had time to go into it in detail, but I shall do so later.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. HANSON (York-Sunbury): Mr. Chairman, I have had the opportunity, thanks to the minister's consideration, of trying to analyse this proposal during the lunch hour. As I understand it, first, the alimony is to be taxable in the hands of the recipient; second, there is no deduction from the income of the one paying the alimony, that is the alimony is not a deductible expense or charge; and third, the tax paid by the consort is to be subtracted from the tax paid by the payer of the alimony. That, as I understand it, is the proposal. I have no considerable amount of anxiety for people who find themselves in this position, but I am wondering whether this is really very much of a concession. I hold in my hand a copy of the Wall Street Journal of July 15, which contains a special digest and analysis of the new revenue bill as presented to the House of Representatives at Washington on the fourteenth of July. This is what it says with respect to this subject:

Those paying alimony get a break under the terms of the bill. They can deduct payments in determining taxable income. Those receiving alimony must report it as income and pay taxes on it.

It goes on to say:

The reason for the change is simple. Taxes and alimony were exceeding 100 per cent of income in some instances.

Is there any possibility of that occurring here? I shall not labour that point. I think the minister has made a concession to these people, of whom I would not suppose there were many. In one instance of which I had heard, the tax would have been tremendous, and this will be some little alleviation. Of course, the crown is not losing much, if any, income tax at all. There may be a lower rate on the income paid by the consort.

Mr. GIBSON: The reason for this resolution not being along the lines adopted in the United States is that if the person paying alimony is permitted to deduct it from his income for taxation purposes, the total amount of tax paid by two consorts who were separated would be less than that paid if they were living together. Under this proposal the person who is paying the alimony calculates his own tax as heretofore, but he is allowed as a deduction from his tax the amount that the person receiving the alimony is required to pay under this resolution.

Mr. HANSON (York-Sunbury): That is exactly what I said.

Amendment agreed to.

Resolution 26 (new) agreed to.

4532

[Mr. J. A. Ross.]

that so when we look at the agreements which have been reached with such large corporations as International Nickel under the War Exchange Conservation Act, under which tax exemptions are granted. For proposed construction amounting to about \$34,000,000, taxation allowance for depletion and depreciation of \$5,000,000 is allowed annually to this corporation for five years. Then there is a similar agreement with the Consolidated Mining and Smelting company, granting that company similar exemptions in connection with the construction of a dam amounting to about \$9,500,000, extended over a period of years. Then we find that the government will not grant tax exemptions to individuals who want to undertake this work, and to me this seems very deplorable. It has gone so far that a good many people in Canada are beginning to feel that the only thing left is to nationalize all the resources of this dominion.

There must be expansion in these days, and the greater the expansion we can obtain the better it will be. The National Resources Mobilization Act gives the government power to mobilize all the resources of this dominion, and nothing should be allowed to interfere. In times of peace these companies operate the natural resources of this dominion on the basis of securing profits for themselves. The natural resources of our country should be used for the benefit of the individual needs of the people of Canada and our allies. Conditions are too serious to permit the profit motive or any other motive to interfere with the rights and privileges of our people. Leases should be set to one side if they are hindering our development. Let us get our natural resources into industry to produce the sinews of war.

The government would do well to consider every avenue which would assist individuals and corporations to increase production. Let us have this production and do not let anything interfere with it. Every field should be opened and every development encouraged.

Mr. GREEN: I was born and brought up in a mining district of British Columbia where silver, lead and zinc are produced. My memories of that Kootenay country are of prospecting being carried on by means of the local merchant or some such person grubstaking the prospectors. It was largely in that way that the whole country was opened up. I have known many of those prospectors and have been out to their mines with them. They are the finest possible types of men. It is a tragedy that they are being completely shoved out of the picture; that no provision is being made to help the individual pros-

Income War Tax Act

pector. Merchants in small towns, local bank managers, perhaps local high school principals or men of that type, are not the kind who are going to try to cheat the government. On the contrary they are the backbone of our citizenry, and I suggest the government should not let a difficulty in auditing stand in the way of extending exemptions so that the individual prospector may be sent out into the hills. I am quite sure he is more likely to find a prospect than the employee of the big mining company who is perhaps sent out on salary, and has not the same incentive as the prospector. There would not be many claims for exemptions, and I suggest the principle of granting the same privileges to the individual prospector as are granted to the associations or companies is a sound one. It will be found that some of the big mining companies will send out fifty to a hundred employees and then come in with exemption claims for each.

Mr. ILSLEY: It is not to exceed \$5,000.

Mr. GREEN: Yes, that is right. There is a limit.

Mr. HANSON (York-Sunbury): Before the resolution carries there are a few brief observations I should like to make.

Mr. ILSLEY: Before the hon. member begins may I point out that there are two additional resolutions to be proposed. One of these relates to alimony, and the other to the members of the armed services. The one relating to alimony will be resolution No. 26 and the second one will be No. 27. The present No. 26 is to be renumbered 28, and is to be amended so as to provide for the royalty company tax taking effect on July 1, 1942.

I suggest that the alimony resolution be proposed now, because I have an idea hon. members would like to see it. The situation is one of extreme difficulty. I am not referring of course to the situation of the persons themselves, but rather to the way of meeting the tax. It is almost impossible to decide upon a satisfactory solution. My colleague will move the resolution now, and we could proceed to discuss it at three o'clock.

Mr. HANSON (York-Sunbury): Why not give us both of them now?

Mr. ILSLEY: I cannot give the other one, no.

Mr. ROSS (Souris): Even if the resolution is to be renumbered I would point out that I asked the minister a question yesterday with respect to the head of a household who Income War Tax Act

a return in connection with the arrangements made between the government of Canada and the Metals Reserve Company of the United States. The answer I received was that a letter of intent had been drawn up by the Metals Reserve Company, Washington, addressed to War Supplies Limited, Ottawa, recording in general terms an agreement with a view to formulating and carrying out a joint programme designed to increase Canadian production of copper, zinc and lead, and other strategic and critical metals and minerals required for the common war effort, but that as yet the agreement has not been signed. According to authoritative United States newspapers an advance has been made to the Aluminum Corporation of Canada totalling \$50,000,000, in order to provide for a further extension of the production of aluminum in Canada. So that there is great need for the production of zinc, lead and copper.

When we are prepared to spend millions in order to encourage the greater production of these minerals, of which to-day there is an ever-increasing shortage—in fact in regard to the production of certain munitions we are fast approaching the limit of our production because of this shortage—what loss would there be to the treasury if we permitted any merchant in a district adjacent to a mineral area—and this would apply only to such merchants—to advance the sum of \$500, or whatever sum the merchant might choose, as a grubstake to an independent prospector? There is no reason why there should be such a concentration of authority in the hands of corporations.

When I listened to the argument in regard to oil a short time ago I wondered if the time had not come when we as members of this house should call upon the government to decentralize many of these controls. With regard to oil and minerals, everything is falling under the control of a few corpora-tions, due to the fact that we have this system of controllers representative of the great interests. To-day the position is that a man who wishes to go out and produce oil cannot do so. Even when individuals join together in a syndicate they cannot do so, because first of all they must have the consent of the oil controller or someone connected with him, in order to secure the necessary metals and machinery required in the production of oil. The result is that instead of an increasing development of our natural resources, minerals, oil and the like, under these war-time controls we are placing power in the hands of a few corporations to the

[Mr. Diefenbaker.]

detriment of the people as a whole. And while there may be some reason for the sort of regulations we have made in connection with oil production, at least something should be done in regard to the production of minerals which will enable the individual to work.

Recently I was in Kirkland Lake which has one of the greatest mining developments in Canada, one of the most unusual places one could visit. There I saw several mines, all in a line. The first mines there were not found or discovered as the result of a great corporation development. They were the outcome of the fact that there were prospectors who were prepared to take a chance and merchants who were prepared to finance those prospectors and give them a chance. And they went ahead against the opinions of geologists and others who ought to know, and prospected that area which I suppose to-day produces more revenue, for its size, than any other place in Canada.

The same is true in Saskatchewan. In northern Saskatchewan there are areas awaiting development, and they are being held back only because of the fact that they have come under the control of certain corporations or syndicates who believe it is in their interest to begin development, complete the assessment work, secure title and then go elsewhere, not proceeding with further development until such time as copper and other basic metals will return a profit sufficient for their purposes. Look at the situation to-day in connection with mining. A prospector stakes out an area. He discovers a worthwhile find, and those who finance him are able in a few years to obtain title, by doing the assessment work. Then they have absolute control for twenty years, whether or not they continue that development. Under resolution 17 the minister has gone a certain distance toward recognizing the need for further production of these basic metals, and I do not think there would be any administrative difficulty in extending this provision to cover the individual prospector, financed by the local merchant.

Mr. CASTLEDEN: I wish to support the plea that some advantage should be extended the individual prospector. The history of the development of the natural resources of this country would indicate that the tendency has been to hand over the resources of this dominion to a few people, a few privileged syndicates. Not to allow individuals to secure tax exemptions of this kind is certainly a move in the wrong direction. Particularly is

4530

from prospectors is that the young prospectors are in the armed services. The old prospectors are all joined up with syndicates and have been working for them for years.

I have been in a number of syndicates. They were formed by a few people who put in perhaps \$500 each. An agreement is drawn up with the prospectors who go out, and the agreement is registered. In other instances a number of persons get together, a syndicate is formed, and they generally send out these older prospectors. In many cases you will find it is just a personal agreement drawn up with the prospector.

Mr. GREEN: Will this section be broad enough to cover the merchant in a mining town who grubstakes a prospector to go out for six or eight weeks?

Mr. ILSLEY: The individual prospector? I should not think so.

Mr. GREEN: Why should he not be entitled to the exemption? The tendency seems to be too much to give all the advantages to the big operating companies and no consideration to the little fellow who is helped out by his friend who keeps a store in a mining town. Why should not that exemption be given to the storekeeper or anyone else who is willing to find the money to enable the prospector to get out into the hills?

Mr. ILSLEY: It would be pretty hard to check the eligibility of the applicant for the deduction. This is an important concession that the taxpayer is getting.

Mr. GREEN: Then the only reason this little man is not given that help is the difficulty in checking or auditing?

Mr. ILSLEY: That is right.

Mr. GREEN: There are income tax offices in the different centres across Canada, staffed by efficient civil servants. These men have to make checks and audits in every town in Canada anyway; why could they not look after the auditing of these comparatively few cases where a man advances money to a prospector?

Mr. ILSLEY: The merchant would be allowed to subtract \$500 from his income for taxation purposes in consideration of having given it to someone who, he says, is a prospector and went prospecting. He did not find anything, but he was away quite a while—he was a prospector. Now, was he? If so, was he a prospector who had a reasonable chance of finding something, and did he look where a qualified prospector would look? I do not know how the income tax people are going Income War Tax Act

to check up on that. One thing we do know is that we will get tax on \$500 less of that merchant's income.

Mr. GREEN: How are they in any better position to check the prospector who is working for a prospecting syndicate?

Mr. ILSLEY: Because of their standing.

Mr. GREEN: That prospector may go out and sit under a tree and eat his beans and bacon all summer and find nothing, yet the syndicate is entitled to exemption. There are just as many opportunities for bad faith there as with the prospector sent out by an individual. I do not think it is right that these privileges should not be extended right down to the individual, that they should be restricted to the large companies—because that in effect is what this will be doing.

Mr. ILSLEY: No; it is not large companies at all. Prospectors' syndicates are not large companies.

Mr. GREEN: But it extends also to the larger companies.

Mr. ILSLEY: Also, but it is not limited to them.

Mr. GREEN: In many cases it is not good for the country, because these big companies will hear of a find in a certain spot and will send out twenty-five or thirty of their employees and stake the whole countryside. That results in freezing the individual prospector out of the picture. The old prospector who opened up British Columbia is being pushed right out of the picture by these large companies, and by refusing to give this exemption in his case the dominion government is furthering that course. That is what has been going on for some years.

Mr. DIEFENBAKER: The justification for this section would be a desire on the part of the government to increase the production of certain basic metals. I understand that is the reason for the exemption which is given.

Mr. ILSLEY: Yes.

Mr. DIEFENBAKER: So far as the western provinces are concerned the main discoveries that have been so far made, the original one at Flin Flon, the one at Goldfields and the one at Yellowstone in the northwest territories, were the result of the activities of independent prospectors operating with the benefit of grubstakes given to them by individuals in the manner outlined by the hon. member for Vancouver South in reference to British Columbia. The other day I asked for Mr. ILSLEY: Before the resolution carries, I should say that it is intended that this taxation shall apply only from the first of this July.

Resolution 11 agreed to.

On resolution 17:

Mr. GREEN: The minister was to get some information.

Mr. ILSLEY: I did not get along as well as I hoped in obtaining this information. The memorandum from Dr. Camsell is as follows:

My information with regard to the facilities for registration of prospecting syndicates in the provinces is incomplete but I am informed by the companies branch of the Secretary of State department that such facilities do exist in the provinces of Ontario, Quebec, Manitoba and Alberta. There seems some doubt about British Columbia, but certainly no facilities exist in the maritime provinces or in Saskatchewan. The opinion however is expressed by the companies branch that it would be as well to allow the clause to stand as presently worded and if the necessity should arise for registration facilities in provinces that do not now have them these provinces would not delay in setting them up.

A telephone call is now being put through to the British Columbia officials, but they may not be in at the moment.

Mr. GREEN: My objection to the resolution is the use of the term "registered prospecting syndicate." I have checked the British Columbia law and I can find no such animal as a "registered prospecting syndicate" in that province. Provision is made in our mineral act for mining partnerships. Properties staked for a mining partnership, are registered in the name of the partnership, and to that extent I suppose there could be said to be a registration of the partnership. But I assume the idea is to give this exemption to any prospective organization which can be properly checked.

Mr. ILSLEY: Yes.

Mr. GREEN: Under those conditions I suggest that the minister should put in the words "mining partnership or other similar association or organization," so that there will be no question that these partnerships in British Columbia and in the maritime provinces are covered by the legislation. The wording here is too narrow. It does not cover the minister's intention so far as British Columbia is concerned.

Mr. ILSLEY: No. I should say that there has been no complaint about the statement I made in the house, which I am fairly certain used this language, "registered prospecting syndicate," and the prospectors of British Columbia—some of them at least—have

[Mr. G. H. Ross.]

organized themselves or made plans to take advantage of the arrangement. This arrangement is an old story now. I announced it in the house several months ago, and this is the time when they are doing their prospecting, or are supposed to be.

Mr. GREEN: They are all out on the hills now, I guess.

Mr. ILSLEY: I saw an item in the press this morning indicating that there was some hitch about it, but it was not on any such ground as has been mentioned. I suggest that the resolution pass and that we take pains with the language in the bill. I am told that the bill is not yet printed, although it is drafted. When we get further information from the Department of Mines and Resources we can frame the bill accordingly.

I now have another memorandum here which says that Mr. O'Meara of the companies branch has just telephoned to say that he talked to Doctor J. F. Walker, deputy minister of mines in British Columbia. Doctor Walker assured him there are facilities in the laws of the province of British Columbia for the formation of prospectors' syndicates. They either can be registered or there is a second type that can be formed without registration, but in any event there are registration facilities. The result clearly is that the resolution in the terms in which it was read to him would be workable so far as British Columbia prospectors are concerned.

The hon. gentleman says he thinks the terminology is wrong, that while there may be prospectors' syndicates they are not called that in the statutes of British Columbia.

Mr. GREEN: That is what I understand. Our mineral act is forty or fifty years old. It is a codification of our mining law, and the terminology used in it has been used for so many years that it would not be wise to introduce new terms.

Mr. ILSLEY: We will see that proper terminology is used in the bill.

Mr. GREEN: As long as the amendment is wide enough to cover these prospecting partnerships, that is all that is necessary.

Mr. ILSLEY: I think the bill as drafted is probably all right anyway. The words used are "in one association or syndicate," and then it is limited to associations or syndicates which are registered. However, I will check that.

Mr. FRASER (Peterborough West): I think the reason the minister has had no letters Mr. O'NEILL: The argument in the committee this morning is the finest I have heard for a long time in favour of government development of natural resources.

The CHAIRMAN: I should like to point out to the committee that we have now laboured this point pretty extensively. When a point has been made, and repeated, and when a minister has taken the position about it which is taken by the minister who is in charge of this measure, the only method is not to labour the same argument by repetition; it is to take a vote if the committee is not satisfied. Furthermore, it would be quite out of order to bring under this resolution the question of the national ownership of natural resources, or any subject of the kind.

Mr. ROSS (Calgary East): I had intended to reserve what observations I have to make with regard to this matter until the presentation of the bill so that we might know exactly what the bill calls for. However, in view of the course which the discussion has taken there are some comments which I think I should make now.

The present regulations of the department do not in my opinion provide for the writingoff of pre-production costs as fast as they should be written off. It takes seven years now to write off pre-production costs. The first crude oil well in Turner Valley was discovered in 1936, and by 1937 there were twenty-five wells in production. Six of these wells are out of production, so that they cannot write off preproduction costs. They will have to pay this income tax out of capital. That should not be so. The returns from all but six of the companies are insufficient to allow the companies to write off pre-production costs out of income. Production is too small, so that all the companies but six will certainly have to write off pre-production costs out of capital, and it may be that some of the six will have to write off pre-production costs out of capital too. This is not as it should be. The companies should be allowed to write off pre-production costs more quickly than they are allowed to do at the present time.

In this connection I wish to direct the attention of hon. members to what Alberta laid down in 1941. There the officers of the department were close to the industry, familiar with what was going on; they could see what would be fair and reasonable, and this is what $44561-286\frac{1}{2}$

they did in that year. The regulation is not very long; I will put it on *Hansard*:

Government of the Province of Alberta

Treasury Department Income Tax Branch

Administrative ruling No. 6 A.

Re: Allowances for recovery of development costs and depletion of oil and gas wells.

For the year 1940 and subsequent years the allowances for recovery of development costs and depletion of oil and gas wells will be as follows:

1. Development Costs. Development costs, including the cost of drilling unproductive wells in the year 1940 and subsequent years, will be allowed up to 33¹/₃ per cent thereof per annum, provided that where a company or "operator" disposes of interests in production for the purpose of financing development the amount received through the disposal of such interests will be deducted from development costs for the purpose of computing the allowance.

2. Depletion. An amount for depletion will be allowed equal to 25 per cent of the net income from production after deducting therefrom the development allowance. The net income for the purpose of computing the depletion allowance will not include such income as rentals, interest or other investment income.

Geological survey and other exploratory costs will be allowed in the year in which incurred.

Owners of interests in production, "Units of Production", etc., will continue to be entitled to an allowance of 25 per cent of the amount received as set forth in ruling No. 6.

E. C. Shaughnessy,

Superintendent of Income Tax. Dated: June 12, 1941.

It will be seen from this that pre-production costs could be written off in three equal yearly payments under the regulations laid down by the province of Alberta. Of course, these regulations now have no further application because the income tax is collected by the dominion.

Under section 89 of the Income War Tax Act, in the case of metalliferous mines, it is provided that the income of a company derived from any metalliferous mine "shall be exempt from the corporation tax for the first three fiscal periods established by the minister hereunder following the commencement of such production." That makes quite a concession in favour of metalliferous mines. Gold mining has had certain concessions up to the present time. Those concessions given under the statute are now expiring, but that industry has had these concessions so far. I submit that the petroleum and natural gas mining industry should receive very generous consideration at the hands of the government in view of the great need for oil at the present time. Any further remarks I have to make with reference to this matter I shall reserve until the bill comes down.

assistance is necessary in order that sufficient drilling of new wells may take place to maintain or extend the production of oil in Canada and if the Minister of Mines and Resources certifies that such drilling is in oil-bearing areas which give reasonable prospect of yielding producing wells. The provisions of any such agreements granting special tax credits and/or special allowances for depreciation or depletion shall be effective notwithstanding anything contained in the Income War Tax Act or the Excess Profits Tax Act.

I suppose the argument of the hon. member for Calgary West is that that is not applicable to a new company—they have to be operating.

Mr. EDWARDS: I understand that only a producing oil company, that is a company which actually has a flowing well from which it derives revenue, receives some offset if it goes out and prospects in what we call a wild-cat area, or new fields. But here you have a person going out and prospecting in a new field. He starts from scratch, with no resources, with no producing wells behind him on which to set off depreciation or allowance for which that section provides.

Mr. FAIR: I do not think the minister can fairly accuse me of any form of pretence. If a company is guaranteed profits I am not objecting to these profits being taxed. In this particular case, as the hon. member for Calgary West has pointed out, men are engaged on a wild-cat venture, sinking their money without any guarantee of return. If when returns are guaranteed it is definitely provided that taxes will be collected on their profits, and if all companies are treated alike, I have no objection whatever. But I do say that mining companies are getting benefits which other companies are denied.

Mr. BLACKMORE: Has the minister gone into the question of what percentage of new wells has been opened by royalty companies compared with the other types of company during the last three or four years? I am really concerned, as the hon. member for Calgary West expresses himself to be, with respect to increased production. We can easily discourage the movement so seriously that it might not recover for a considerable number of months. We should be very discreet before we do anything which might discourage them. What percentage of wells in 1941, say, or 1942, was developed by royalty companies?

Mr. ILSLEY: I do not know that.

Mr. BLACKMORE: I was wondering whether the 90 per cent estimate was a little exaggerated, or whether it is not enough.

Mr. ILSLEY: I think consideration should be given to extending the same privileges to royalty companies that are not already in [Mr. Ilsley.] business as to those that are. That can be done by order in council. The section is just as the hon. member for Calgary West says, but I do not think we should refrain from taxing these organizations simply as a matter of encouragement to the business. I do not see why this method could not be extended to timber companies or any other companies. As the hon. gentleman says, it was not invented as a means of tax avoidance, because at that time the tax on corporations was very low, but the increase of the tax has given this type of organization a tremendous advantage.

Mr. EDWARDS: Would the minister consider taking, instead of a percentage of the net profits, a percentage of returns from the well as such, on the same basis as the royalty itself operates? At least there would then be certain security; the royalty holder would know what there was ahead of him. He knows at the present time that royalty, if any, is payable to the provincial government; royalty, if any, is payable to the antecedent leaseholder, and if he knew for certain that the dominion government was taking a percentage of the production of that well, it would be helpful.

Mr. ILSLEY: Why would it not be just as good for him if he knew that the dominion government was taking a percentage of the profits?

Mr. EDWARDS: Because he has no means of knowing what are the profits or what are the expenses of operation. He does not know what has actually gone into the well. When he is buying a royalty he is buying a percentage of what that well produces, not of what some company declares is a dividend or a profit on the well.

Mr. O'NEILL: To my mind the committee has developed this morning a splendid argument in favour of government development of natural resources. In view of the fact that there is a definite shortage of oil, and the further fact that British Columbia has advocated government development of these natural resources, will the dominion government give or has it given any thought to such a procedure on the part of the dominion?

Mr. ILSLEY: Well, the question is one for my colleague the Minister of Munitions and Supply. I am not sure whether there is any direct government prospecting activity or not.

Mr. O'NEILL: Government development of oil wells has been advocated by British Columbia.

Mr. ILSLEY: I do not myself know of any.

taking 40 per cent—that makes 50 per cent, and probably the intermediate leaseholder takes another 10 per cent. What is there left on which the investing public may gamble or speculate in the hope of any return at all from their investment? It is not good enough, and it just will not be done. A royalty company cannot get any concession under existing legislation for wildcat exploration, because the legislation now in effect is applicable only to producing companies as such.

Mr. CHURCH: What is the meaning of the words "royalty company, association, or other body" in the first line of resolution 11? Are all these royalty companies, associations and bodies private organizations which pay income tax on the proceeds of their operations? Are they all privately owned? The minister promised last session in connection with a private bill related to this same matter and on the estimates, that a study would be made of the question of public ownership of oil and gasoline. Has any study been made, or will a study be made in the coming recess with a view to allowing groups of small municipalities to cooperate in the development and sale of oil and gasoline? The gas and oil industry is only in its infancy in Canada. These words "royalty company, association, or other body" should be extended by law to enable any group of small municipalities to operate wells on properties in their localities, under public ownership. It is only within the last seventyfive or eighty years that science has discovered the power inherent in oil, gas and falling water. I would ask the minister what study was made in the recess or will a study be made to give a group of municipalities power to go into this industry on a public ownership basis as was done in connection with falling water in Ontario?

Mr. ILSLEY: I am afraid I do not understand the suggestion. Is it proposed that a study be made of the question whether municipalities may cooperate in an association for the development of oil on a royalty basis? Is that the suggestion?

Mr. CHURCH: I mean that they could enter the business under public ownership if they were so empowered by legislation, and do better than private ownership has done.

Mr. FAIR: The holders of these royalties are subject to double taxation. When they invest their money they receive nothing until this 40 per cent is taken; then if they are lucky enough to get into the higher income tax brackets they are taxed again and this second tax runs over 37 per cent. I understand that 90 per cent of the new oil fields are being

tested out by these companies financed by royalty holders, and no concession is granted to them, while large concessions are granted to other large oil companies which are taking very little chances in development work.

Mr. ILSLEY: It takes a proposal like this to get certain members to understand that double taxation is a feature of our system. We hear members like the member for Battle River urging us to put higher and higher taxes on corporations, not worrying himself at all about double taxation, although double taxation is there to just exactly the same extent and to no greater extent than is proposed with regard to these royalty companies. These royalty companies may in a sense be cooperatives, but they are certainly commercial or industrial profit-making organizations, and how on principle we can justify side by side the existence of two forms of commercial or industrial organizations, one subject to 40 per cent or the higher excess profits tax, and the other subject to no taxation whatever as a commercial organization, I do not know. Take the companies which are exploring for strategic minerals and other metals; none of them is free of taxation. Under the relief provided by section 89 of the Income War Tax Act, the companies discovering new mines -and a few years ago we badly wanted them to discover new gold mines; later, new strategic mineral mines-are not relieved from taxation; they are relieved from excess profits tax but they pay the corporation rate of income tax of 18 per cent. I think the sound thing to do in regard to these royalty companies is to put them on the same basis as other commercial or industrial organizations so far as taxation is concerned, and then extend the same kind of assistance, special assistance, depending upon the circumstances, to them as you do to the other organizations. I think that is open to us under the War Exchange Conservation Act. The amending act assented to on June 14, 1941, provides as follows:

The governor in council in order to increase or conserve Canada's supply of foreign exchange may, on the recommendation of the Minister of Finance, enter into agreements with individuals, partnerships or corporations to grant assistance by way of special tax credits and/or special allowances for depreciation or depletion under the Income War Tax Act and/or the Excess Profits Tax Act, if, in the opinion of the governor in council, such assistance is necessary in order that an expansion of the exports of any individual, partnership or corporation receiving such assistance may take place or that the exports of any such individual, partnership or corporation may be maintained at levels higher than would otherwise obtain, or, in the case of any individual, partnership or corporation operating an oil well or oil wells, if, in the opinion of the governor in council such

44561-286

REVISED EDITION

encouraging production, in fact. But the section of the Income War Tax Act originally applied to gold and other metalliferous mines, and I do not know that I would care to extend it to oil wells.

Mr. JACKMAN: The winning of the war is of first importance.

Mr. JOHNSTON (Bow River): If we need the oil wells as much as we need the mines, we should do it.

Mr. ILSLEY: We would have to consider a great many other things we need just as much as we need these.

Mr. JOHNSTON (Bow River): But oil is very important.

Mr. FAIR: Could we not transfer these benefits from gold mines to the oil fields? We can do without gold, because wedding rings and commodities of that kind seem to be the only uses for gold in these days. We are not using it as a base for our money. We would be well advised to transfer to the oil companies some of the benefits extended to the mining companies.

Mr. EDWARDS: If I understood the minister correctly, the provision means that 40 per cent of the production of every oil well is to be taken by the government.

Mr. HANSON (York-Sunbury): Forty per cent of the profits.

Mr. EDWARDS: Yes, of the profits. How is a royalty holder going to know what he is buying, if he owns a one per cent royalty? I am very much disturbed as to what the effect of this legislation is going to be on the oil industry. The one thing about which we are most agitated is the production of oil. The exploration and development of new oil fields in the one and only actual oil field in Canada, and probably in the British empire as it is at the present time, is of great importance.

These royalty companies, as such, deal primarily in the exploration of possibly one well. They are not big operating companies as we know them. They are not the type of company which comes to the minds of ordinary citizens when they think of oil companies. The people of Canada generally and the government owes a great deal to the initiative and enterprise of the investing public who have invested their money in these royalty companies. It is they who have extended the Turner Valley field both north and south-not the recognized and old-established oil companies which have sold shares to the public. This system of financing oil wells, contrary to the general impression, was not devised to escape taxation, either provincial or federal, but by reason of the fact that speculation in

[Mr. Ilsley.]

shares such as takes place in ordinary industrial companies has militated against the successful exploration and development of our oil resources. When the investing public bought a one per cent royalty in a well, they knew that for every hundred barrels of oil that came out of the well they got one. The investor was not dealing with the company. His money goes into a trust company, to be paid out as the well is developed. The money received from any oil produced from that well goes to the trust company and is paid direct to the investor, and the investor is not at the mercy of any manipulation by company directors. If the investor buys a one per cent royalty he gets one per cent of the proceeds from the oil sold from that well, or he can take the oil itself if he wishes.

But where is he going to be under this proposal? I foresee that this legislation will completely dry up individual initiative, and the royalty method, which has proved more successful than any other method of financing the exploration and development of our oil resources in Alberta, will be done away with. You buy a royalty in a well, not a fractional interest in a company as such, and no royalty company will be able to get any advantage from the concessions being granted under the exchange control act because they are not producing companies as such. They are companies organized to develop one particular well or one particular lease. They are essentially cooperative in nature and in purport and intent. It is a cooperative venture. Suppose you have bought a one per cent royalty. You know that you have a one per interest in the production of that particular well, and not in a number of wells. We have recognized in our legislation in this house throughout the years that favourable consideration should be given to cooperative enterprises as such, and this form of enterprise is essentially cooperative. Cooperatives as such have heretofore been free from taxation. A royalty company, from its very nature, is cooperative in spirit.

I would ask the minister to consider the matter further. I am sure, from such information and knowledge as I now have of the oil industry in my province, that this legislation will kill the enterprise and initiative which has resulted in expanding that field. Suppose you buy a one per cent royalty in one of these wells for two or three or four or five thousand dollars, as many people of Ontario and Quebec have done. Costs of development are excessively high, and generally speaking the life of a well is not more than four or five years. The provincial government is taking ten per cent of the actual production, and now this government is coming along and in effect Mr. ROSS (Calgary East): In answering the hon. member for Battle River the minister pointed out that under agreement no concession is granted in connection with gold mining and other metalliferous mines. Concessions have been granted to gold mining companies by statute, and section 89 of the act we are now considering grants certain exemptions to metalliferous mines. So that they have been getting concessions which the oil producers have not been getting.

Mr. ILSLEY: Since 1936. That is an old policy. There was freedom from taxation for the first three years of operation.

Mr. JACKMAN: Resolution 10, Excess Profits Tax Act, deals with that matter.

Mr. ILSLEY: The provision runs out this year so far as gold mines are concerned.

Mr. ROSS (Calgary East): But they have been getting those concessions despite the fact that the oil industry is much more important at this time.

Mr. ILSLEY: It is being discontinued on gold.

Mr. ROSS (Calgary East): It is being discontinued on gold, but not on the other metalliferous mines?

Mr. ILSLEY: No.

Mr. JACKMAN: If the country considers the bringing into production of new oil wells a procedure which would help the war effort, I suggest that some greater credit be given them by way of tax exemption. If the successful wells are to be taxed 40 per cent, such a tax will be a great hardship and will discourage the bringing in of new wells.

Let us take the example of a syndicate which drills two wells at a cost of \$200,000 each. One well may be a dry hole, but the other one may produce. The one which produces will pay 40 per cent, the government taking no risk whatsoever in connection with capital loss involved in dealing with the dry hole. This is just another example of controlled economy as against free economy. Who will risk his money in the hazardous enterprise of oil wildcatting in Alberta or anywhere else in Canada and be entitled to receive only 60 per cent of the profits, if there are any, while at the same time receiving no offset against loss on wells which do not prove productive?

Resolution 10 under the Excess Profits Tax Act provides:

That the income of any company derived from the production of base metals or strategic minerals shall be exempt from taxation hereunder if the company first came into production during the period of three years commencing the first day of January, 1943, and such exemption shall extend to the income of the first three fiscal periods of twelve months each of any such company following commencement of such production.

There is an example of a provision made by the government when it really wants something brought into production. There is in Canada a dearth of strategic minerals, and here the government is making a reasonable concession, one which will induce private enterprise to go out into production, because they are going to get exemptions for three years under the Excess Profits Tax Act. They will still remain subject to the 18 per cent provision—I believe that is the correct percentage—

Mr. ILSLEY: Yes.

Mr. JACKMAN: —which is a bearable tax, although perhaps it should not be there. Nevertheless a company can go on and still suffer the payment of that tax. There is no such provision for oil companies. There is also a shortage of natural gas in Ontario. The wells now in production are being rapidly depleted by the companies which do the servicing of industries and provide for domestic heating, because all the gas is being used for war purposes—that is, all except the absolute minimum required for warmth in the winter time.

I know of a syndicate which wishes to spend \$50,000 or more in a search for additional wells in southern Ontario. It has a well-formulated plan for the development of certain properties in that area, but it is being held back because of the heavy taxation that is staring them in the face. Surely if the production of oil and gas in Canada is helpful to the war effort, then at least for the next three years they should be included in resolution 10 under the Excess Profits Tax Act whereby they would be freed from any taxation above 18 per cent of any earnings they make.

Mr. JOHNSTON (Bow River): In view of this provision in the Excess Profits Tax Act, in which it appears that some companies are getting consideration, and in view of the fact that we are in need of an increase in oil production, the minister would be well advised to consider making some concession to oil companies in that connection, as he has done with other companies.

Mr. ILSLEY: We make special agreements with them. It is just a question of judgment as to how far we should go. The throwing off of a tax undoubtedly encourages production. It is a very popular way of taxable at 40 per cent before being distributed, and they will buy the royalties on that basis.

Mr. JOHNSTON (Bow River): The point has been brought up that these royalty companies are going to be more harshly treated than the share companies. Is there any way in which a share company, through its holdbacks, is given any preference over a royalty company? There seems to be an idea that there is discrimination as between the royalty companies and the share companies.

Mr. ILSLEY: I cannot think of any way in which there will be discrimination. The same rules will apply with regard to depletion and depreciation. The rate will be the minimum rate applied to incorporated companies, and I cannot think of any discrimination against these organizations implicit in this proposal.

Mr. JOHNSTON (Bow River): I do not mean to suggest that there is discrimination, but that statement has been made. I could not see where the discrimination existed, and I asked the minister as a matter of information, because I think if there is any discrimination as between the share companies and the royalty companies it would be unfair. The minister says he does not know of any.

Mr. ILSLEY: The method of operation of the royalty syndicates is to treat each well as a separate unit, and some wells may be good while others are bad. There might be a tax advantage to a company because of the difference in practice. That is, the organization investing in one well will perhaps either lose a good deal of money or make a good deal of money. If it loses money it gets no advan-tage; if it makes money it is taxed at the rate of 40 per cent. Another company may have some paying wells and some losing wells, and it would offset the losses of the losing wells against the profits of the paying wells; therefore, on the entire number of wells, if they paid at the 40 per cent rate they might pay the government a smaller sum than would be paid by a group of royalty syndicates. But these syndicates choose to operate one well at a time, for their own reasons, and I do not know that we can help it if they do. If they want to do it in some other way, as a company, they may do so. That is the only discrimination or possible discrimination that I can think of that is implied in this proposal.

Mr. JOHNSTON (Bow River): Could not the royalty companies reorganize in some way?

Mr. ILSLEY: I do not know enough about it to be able to say whether they could or [Mr. Ilsley.] not, but I do not think it is a difference that we should recognize at all for taxation purposes.

Mr. FAIR: Have any concessions been made to mining companies opening up new mines during the past two or three years? If so, what have they been? With this information we can make a comparison between mining companies and oil companies.

Mr. ILSLEY: Under the War Exchange Conservation Act the Minister of Finance is authorized to make agreements with persons drilling for oil by which special depreciation or tax credits may be allowed to encourage these persons to drill. Under that authority agreements have been entered into with some of the companies.

Mr. FAIR: My question was in connection with gold and other minerals. What concessions have been made to those companies?

Mr. ILSLEY: Oh, there are no concessions to gold mines; no agreements have been made with them.

Mr. FAIR: Have any been made during the past two or three years?

Mr. ILSLEY: Oh, no. The Excess Profits Tax Act has a special provision for persons producing gold and oil, and if the hon. gentleman will read that act he will see what that provision is. That was all explained thoroughly to the House of Commons and debated at the time the reasons were given. But no agreements have been made under the War Exchange Conservation Act to encourage the production of gold. Agreements have been made, I do not know just how many, to encourage the production of other metals, notably nickel, and several agreements have been made to encourage the production of oil, but not gold.

Mr. PERLEY: If an individual who is not associated or connected with any company or syndicate decides of his own initiative to drill for oil or gasoline, to what concessions or deductions would he be entitled?

Mr. ILSLEY: He is just as eligible as a company for any concession under the War Exchange Conservation Act. Nobody is entitled to anything; it is merely a matter of the minister's discretion. Different agreements are made with various applicants. This is one of the most difficult matters in connection with the operation of the Department of Finance.

Mr. PERLEY: An individual would have to take it up directly with the department.

Mr. ILSLEY: Yes.

of the oil fields in the hands of the large companies, or what he terms the world petroleum cartel. But as the minister stated, they will now understand what the tax will be, and I assume from what he has said that he intends to protect independent companies that are financing on royalties, to that extent anyway.

Mr. ILSLEY: To that extent, yes.

Mr. FAIR: Three days ago I received a resolution in connection with this matter from the Vermilion board of trade. Vermilion is one of the parts of Alberta in which quite a quantity of oil is found, and the board of trade of that town believe that the little operators or investors are being discriminated against. I believe the minister has a copy of this resolution. It reads as follows:

Whereas in the province of Alberta exploration for petroleum has heretofore to a large extent been financed by the sale of preferred royalty certificates, which represented an interest in the production of any petroleum from the well in respect of which such certificates were sold;

And whereas the said certificates are sold upon a condition that all of the proceeds of the net production from any discovery shall be paid to the certificate holders until such time as such certificate holders have received the return of their investment in full, the proceeds thereafter being divided between the holders of such certificates and the owners of the remaining interests in the well, in proportion to their holdings;

And whereas heretofore the production of the well required to be paid to the certificate holder was not subject to taxation until it reached the hands of the certificate holder, when it became subject to taxation in the same manner as other income;

And whereas unless some differentiation between other taxes payable at the source and the tax at source is provided for, the deduction of royalty tax at source will alter the situation and royalty certificates, owing to the hazardousness of the venture and great possibility of no return in a great many instances, will cease to be an investment sufficiently attractive to enable further development to proceed by public financing.

Therefore, be it resolved that in the opinion of the Vermilion Board of Trade, of Vermilion, Alberta, some provision ought to be made in the revenue act whereby royalties from petroleum and/or natural gas ventures are not subject to taxation in respect of sufficient of the first net production to return to the owners of such certificates their full capital investment, and thereafter a rate of taxation lower than that imposed upon other securities ought to be imposed, in order that exploration for petroleum production may continue upon an increased rather than an abated schedule.

And further be it resolved that the owner of a well, who has invested his own money in exploring and bringing in the same, should be entitled to have a return of the moneys expended in drilling operations from production prior to the imposition of a tax upon the production. And further be it resolved that copies of this resolution be forwarded to the Minister of Finance and to such other persons as in the opinion of the president and secretary may be advisable.

Passed at Vermilion, Alberta, this 17th day of July, A.D. 1942.

That is signed by Mr. Richardson, the secretary-treasurer. My information is that 90per cent of the new oil fields have been financed by royalty owners. It would seem that under these proposals some hindrance will be placed in the way of the development of new fields and further advantages handed out to the large oil companies.

Mr. JOHNSTON (Bow River): Would it not avoid a great deal of difficulty if the minister would impose a straight production tax, right at the well bead?

Mr. ILSLEY: No. That suggestion has been made, but I do not think the dominion government should adopt it. The provinces have been insistent, generally speaking, on their exclusive right to tax directly natural resources, such as timber or minerals or anything of the kind; and when we entered into the dominion-provincial agreements their right to impose taxes in that field was expressly preserved. While now I believe the Alberta government would be willing and perhaps desirous to have us put on an output or production tax—

Mr. JOHNSTON (Bow River): It would save a lot of trouble.

Mr. ILSLEY: -instead of a profits tax, it would constitute an exception in our taxation system, and I would not care to go into that field. The representations which were made to me were in favour of certainty. They said they did not object to the rate of the proposed taxation; but they thought the investors should know that each unit of oil produced would bear a certain rate of taxation. That will not be the case under my proposal, but I cannot see anything uncertain about my proposal because the profits of the enterprise will be determined on the same principles as the profits of an incorporated company conducting a similar enterprise are determined. There will be the usual depreciation and depletion, and so forth, and then whatever profits are left will be taxed at 40 per cent, just as a corporation would be taxed if it were paying the minimum rate. I may say that most of the companies are paying at the minimum rate of 40 per cent, rather than the 75 per cent or, as it will be hereafter, the 100 per cent rate, so that I cannot see anything uncertain about the tax. The investors will know that any profits they make will be

Income War Tax Act

fund or plan. Apparently doubt exists as to whether payments to the civil service retirement fund are covered by the amended resolution. It will be recalled that the retirement fund is on a different principle from the civil service superannuation fund. It has been suggested to me that payments made to the retirement fund are not deductible under this resolution. This would be a most unfortunate discrimination. I ask the minister to give some consideration to the question and perhaps clarify it. I understand there are five thousand people affected by this, and they think they are being discriminated against. I leave that idea with the minister in order that consideration may be given to these persons, whose position is not dissimilar in principle from that of those who pay into the superannuation fund.

Mr. ILSLEY: It was intended that the retirement fund would be covered. The words of the resolution were "approved superannuation, retirement or pension fund or plan", and the amended resolution does not change those words.

Mr. HANSON (York-Sunbury): The minister thinks the word "retirement" covers it?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Well, that is the understanding.

Mr. ILSLEY: That is the understanding.

Mr. HANSON (York-Sunbury): That clarifies the position.

The CHAIRMAN: We are on resolution 11.

Mr. PERLEY: The minister said yesterday he would make a statement on this resolution.

Mr. ILSLEY: This resolution effects an important change in the law and makes this type of commercial or industrial organization taxable in all respects as if it were a corporation. My knowledge of this type of organization is not very extensive, but I understand that it was invented in Oklahoma or one of the oil producing districts of the United States. The United States tax these organizations and we do not. Some years ago I think there was a case on their taxability; the government lost it, and they have gone along without any corporation tax. There is of course an individual tax, but with the increased corporation rates the apparent discrimination between a company drilling for oil and a syndicate financed by royalties drilling for oil is very considerable. We decided that the time had come when they ought to be taxed. Strong representations have been made to me that to tax these syndicates, simply putting them in exactly the same position as companies, would result in much

[Mr R. B. Hanson.]

difficulty in financing. The argument that has been used is that when it is proposed to drill for oil and a group of investors are asked to put their money into the venture and in exchange for their money to take royalties, there ought to be some certainty as to the taxation; otherwise, with our present excess profits tax, there might be great discouragement to investment.

The discouragement would arise in this way, that these are new companies, at least from now on they would be new syndicates, and the investors might very well ask: "What is the taxation going to be?" The only answer the person attempting to sell royalties could make would be: "Application will have to be made to the board of referees and a standard profits base determined. If that is high enough, there will not be any 100 per cent tax. but if it is not high enough, there may be." To an investor that would be a very discouraging answer. As we need oil and would like to see greater developments in that respect, I have decided that there should be incorporated in the legislation based on this resolution a provision that in no event will the tax be more than 40 per cent. That will be the minimum rate for incorporated companies.

Mr. HANSON (York-Sunbury): The minister said, "Not more than 40 per cent" and then said, "that will be the minimum."

Mr. ILSLEY: Well, it will be 40 per cent.

Mr. HANSON (York-Sunbury): That will be the maximum?

Mr. ILSLEY: It will be 40 per cent. The reason I said "not more than" is it might slip to 100 per cent on part. That is an eventuality which I think should be avoided.

So far as I can see, that meets the argument of those who desire certainty. The submission to me has been that a corporation tax should not be imposed on these organizations, but that there might be an output tax, a natural resources tax. I pointed out that we have conscientiously and consistently avoided imposing such a tax. The provinces reserve that field to themselves, and so far at least we are quite content to have them do so. I should not want to start in that way the imposition of taxes on natural resources.

Mr. PERLEY: I think the minister has made it plain that he has come to an understanding with them as to what their position is. I had a telegram from an independent company which is financing on the sale of royalties. They felt that if the tax went through as proposed they might be put out of business, and it would leave the development

Income War Tax Act

a security service for the whole of Canada. I hold in my hand a certified minute of a meeting of the treasury board approved on that day. It quotes from a long memorandum submitted by the Minister of Justice, in which he recommends, under the authority of the War Measures Act, fifteen different proposals. I do not propose to read them all, but No. 1 reads:

There shall be a security service for the whole of Canada under the control of the commissioner of the Royal Canadian Mounted Police.

No. 2 provides:

Canada is to be divided into control areas, covering ports, landing fields and any entry airports, as well as railway and other transportation centres, as decided by the Minister of Justice.

The estimated cost of this establishment is one and a half million dollars, as set out in the order in council or the minute, and is to comprise a force of about 700 men. What has developed in recent months or weeks which has made this necessary? I think a statement from the minister would be reassuring to the country, because the establishment of this force is bound to become public knowledge and the people should be informed as to why it is being set up. I had thought that we had an adequate intelligence service in Canada, not only in connection with the Royal Canadian Mounted Police but in connection with the three armed services. Apparently that is not the case, notwithstanding the fact that the mounted police force has been increased by several hundreds in recent months. Possibly the real objectives of establishing such a force in this country are not apparent from the order in council. I invite the Minister of Justice either now, or at a later day, to give the house and country the underlying reasons for the establishment of this force.

Hon. L. S. ST. LAURENT (Minister of Justice): Perhaps it would be more satisfactory if the explanations required in this regard were supplied when the estimates are being voted to provide for the service.

Mr. HANSON (York-Sunbury): This is being provided for now out of moneys already voted through the war appropriation bill. If the Minister of Justice will look at the terms of the order I am sure he will see that it is so.

Mr. ST. LAURENT: The estimates for the Royal Canadian Mounted Police will have to be considered by the house and I had thought that it might be a convenient time then to give such information as can be given publicly in respect of this new security service, if that is satisfactory.

Mr. HANSON (York-Sunbury): It will have to be.

ACCOUNTANTS AND AUDITORS

QUESTION OF STATUS IN RELATION TO CIVILIAN OCCUPATIONS OR SERVICE IN ARMED FORCES

On the orders of the day:

Mr. N. J. M. LOCKHART (Lincoln): May I direct a question to the Minister of National War Services, arising out of a recent competition invited by the civil service commission. It is competition No. 42-936. This matter is of the utmost importance, because I have had three letters to-day from chartered accountantsand auditors who are doing tremendous work in connection with the endeavour to facilitate small industries throughout the country. This invites applications, the salaries running from \$1,920 to \$3,000. Three persons have written to me to-day asking whether they should! apply or should carry on their civil occupations, or whether they will ultimately be-found a better place by serving in some auditing branch of the armed forces. They are in a quandary as to what to do: they do not know whether to apply for this or wait until some direction is given, or whether they will eventually end up in the army. I think the matter should be clarified.

Hon. J. T. THORSON (Minister of National War Services): I am not familiar with the details of the civil service competition to which the hon. member has referred, and without knowing more about it I am unable to answer his question. The Department of National War Services regards accountants generally as being in a very important classification. They have been listed under section 15 of the national war services regulations. I shall be glad to look into the matter with a view to answering the hon. gentleman's question if I can.

WAYS AND MEANS

INCOME WAR TAX ACT

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

11. That where any royalty company, association, or other body is organized for the purpose of drilling for and operating oil or gaswells whereby the production belongs not to the company but to the investors in the property, the production shall be deemed to be for and on behalf of the company and the incomeof the company shall be deemed to include the proceeds secured from the sale of the said oil or gas, less necessary expenses.

Mr. HANSON (York-Sunbury): We have passed the amended resolution 7(1)(a), and I have no desire to return to it, but a question has arisen this morning upon which I would ask that the minister give a ruling. Resolution 7(1)(a) relates to the payments into any approved superannuation, retirement or pension

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The Plebiscite

few days ago. I read it yesterday. That was the first time I had a chance to read it. I will make a statement within a few days.

Mr. CHURCH: The war committee has nothing to do with housing, as I see it.

THE PLEBISCITE

COST OF TAKING VOTE-INQUIRY FOR RETURNS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): On April 29, a question regarding the cost of the plebiscite was asked by the hon. member for Peterborough West (Mr. Fraser) and was passed as an order for return. On June 3 a question asked by the hon. member for Cumberland (Mr. Black) on the same subject was passed as an order for return. On several occasions these two hon. members have asked when they might expect the return, but no return has yet been forthcoming. Realizing that all accounts might not have been paid, the hon. member for Cumberland placed another question on the order paper, asking for payments to date. This question should immediately have been answered. But instead, it was passed on Monday last as an order for return. I think we are entitled to have this information presented to us at the earliest possible day. I ask the Secretary of State to bring down the information to-morrow. There certainly should be no difficulty about doing so in respect of the last question asked by the hon. member for Cumberland.

With regard to the interruption of the Minister of Mines and Resources the other day in connection with extravagance, may I page the plebiscite in answer to him.

Hon. N. A. McLARTY (Secretary of State): Each of these proposed orders for return was submitted to the chief plebiscite officer. I am of course completely in his hands as to the expense. If I remember correctly, there were 32,246 electoral booths required in connection with the plebiscite; there was also the overseas vote and the active service vote. It takes some time to coordinate an answer which will give the total cost. I could of course give a statement of the amounts paid to date, and I shall be glad to expedite that return as much as I can possibly do so.

NATIONAL DEFENCE

PERSONNEL LISTED IN DEFENCE TELEPHONE DIRECTORY

in the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témisouata): Mr. Speaker, I hold in my hand [Mr. Ilsley.]

the orders of the day for to-day, and I am greatly surprised that question No. 3, which bears the date of June 12, has not yet been answered. It is a month and ten days since that question was put on the order paper. It is the easier to answer because the minister has already given the totals of all these particulars, and if the totals were right it is undoubtedly very easy for the most efficient staff of the headquarters to answer the question at once. I am sure that I shall be lucky in following the example set by the leader of the opposition and asking for a reply to-morrow.

Hon. J. L. RALSTON (Minister of National Defence): I may say to my hon. friend that there is no chance of a reply being given to-morrow, and, further, that that question is taking its usual turn in connection with the business of the Department of National Defence. I am not going to give instructions that other work which is far more important should be made subsidiary to the answering of questions of this kind. If the house will take the trouble to read the question it will find out how much detail is involved and how futile the work is after it is all done.

Mr. POULIOT: Mr. Speaker, I protest strongly against the words of the leader of the opposition.

Some hon. MEMBERS: Oh, oh.

Mr. POULIOT: The more futile he calls them the more important they are to the public and the press.

Mr. HANSON (York-Sunbury): I hope the hon. member does not attribute the answer to me.

Mr. POULIOT: No, but the leader of the opposition is the power behind the throne in the Department of National Defence; therefore I may be excused.

SECURITY SERVICE

PROVISION FOR ESTABLISHMENT UNDER WAR MEASURES ACT-REQUEST FOR EXPLANATORY STATEMENT

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I desire to direct the attention of the Minister of Justice to a subject matter which I have discussed with him. It is in reference to the creation of a new force in our services under the provisions of order in council P.C.85/6073. I do not ask this question in any critical sense at all, but merely for the purpose of information. On July 14 this order in council was passed establishing

view with Mr. Vining at the time, before he presented his report. As a matter of fact I have not had an opportunity to discuss its representations with Mr. Vining since this report was received. I think it is well that the house should know the facts as to there having been no endeavour on the part of the government to pigeonhole the report, but rather the wish to give it the careful study which it merits.

Mr. CHURCH: Why not drop it? The people of the United States resent it. Britain tried it for two hundred years and failed.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Vining occupies an important position in the industrial and commercial life of Canada. He was appointed, as I understood it, to survey the situation with relation to our publicity in the United States—a very important subject and one which has not received the attention it should have received in the long months that this country has been at war. He was sent down there, as I understand it, for a definite purpose. He has made a report. It must be of a constructive character, and unless there is something highly confidential in it, it should be tabled.

I do not know why the government is always seeking to reserve to itself reports of this kind, which are ordered in the public interest. I do not think any harm can be done by publishing this report. Only on the basis of giving away secrets which might be of service to the enemy should the government be deterred from producing documents such as this.

Mr. MACKENZIE KING: My hon. friend knows that it would be quite impossible for a government to carry on its business if there is to be nothing in the nature of confidential reports between officials and the government, or persons appointed by the government for special missions. In the nature of things Mr. Vining, to make his report as comprehensive as the government hoped it might be, found it necessary to get personal opinions from a number of individuals, some of whom have distinctly stated that they would not wish to have their identities known. It is not any desire on the part of the government to keep documents secret, but it is a desire on the part of the government to have information and inquiries serve the best purposes in the best way, and that can be done only by respecting the wishes of people in the matter of information which might not be elicited from them otherwise.

As to what my hon. friend has just said about publicity being a difficult problem, 44561-285 there is no question as to that. The government of every country has had this same problem. There is no single problem that has occasioned so much discussion and difference of view and debate and rearrangement as has publicity in Great Britain, and equally in the United States, and it is not surprising that it should have been a difficult problem here. I assure my hon. friend that the government is as anxious as he is, indeed more anxious, to have Canada's war effort as widely and as accurately known as possible.

Mr. SPEAKER: Dropped.

Mr. CHURCH: A waste of money.

HOUSING

INQUIRY AS TO ERECTION OF HOSTEL IN OTTAWA FOR GOVERNMENT EMPLOYEES

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I should like to ask the Secretary of State or the Minister of Finance if any progress has been made in connection with the proposed erection of a hostel for government employees in the city of Ottawa. This matter has been up on several occasions for several months, and apparently no progressive step has been taken yet beyond the inquiry stage. I think the time has arrived when something definite should be announced.

Hon. N. A. McLARTY (Secretary of State): Perhaps it will be appropriate if I answered the leader of the opposition in connection with this question. It has been decided to erect a residence for the lower-paid girls in the civil service. I will have a statement to make, I trust, within two or three days in connection with that residence, but in the meantime the decision has been arrived at to erect it.

REQUEST FOR STATEMENT ON GENERAL SITUATION

Mr. T. L. CHURCH (Broadview): I wish to ask the Minister of Finance a question. Would the minister make a statement on this, the 114th day of the session, on the general housing situation, especially as regards the continuance of the act for another year? On the 34th day of the session I was promised a statement, and this is the 114th day.

Hon. J. L. ILSLEY (Minister of Finance): I have to make a statement before the house adjourns. The report of the committee of the House of Commons which dealt with the situation, and dealt with it very comprehensively, was presented to the house only a

REVISED EDITION

interests in this area, with full power to submit reports on the treatment of Canadian prisoners-of-war and civilian internees.

2. See answer to question 1.

3. The representative of the protecting power in charge of Japanese interests in Canada has requested permission to visit camps and settlements where Japanese nationals in Canada are situated.

4. Yes.

5. Mr. P. E. Schwartz, consul-general of Spain. Spain is the protecting power in charge of Japanese interests in Canada.

6. None.

7. Permission was granted for a member of the Japanese community in British Columbia to accompany the Spanish consul-general as translator and assistant.

AIR RAID PRECAUTIONS-GASOLINE RATIONING

Mr. BLACK (Cumberland):

1. Have the gasoline rations been increased or promised to any A.R.P. workers in Ontario, and to what extent?

2. Have the gasoline rations been increased or promised to any A.R.P. workers in Nova Scotia, and to what extent?

Mr. HOWE:

1. A.R.P. workers in all parts of Canada are entitled to apply for inclusion in category B if the head of their local civilian defence committee is prepared to certify that extra gasoline is required by applicant in discharge of their A.R.P. duties.

2. Answered by 1.

QUESTIONS PASSED AS ORDERS FOR RETURNS

MUNITIONS AND SUPPLY—CONTRACTS AND FINANCIAL ENGAGEMENTS

Mr. LACOMBE:

1. What is the total value of contracts awarded by the Department of Munitions and Supply for, (a) Canada, (b) United Kingdom, (c) allied nations?

2. What is the amount of the financial engagements undertaken by Canada on the United Kingdom account by reason and from the date of our participation in the war?

3. What is the amount of similar engagements undertaken by Canada on behalf of allied countries?

LIFE JACKETS AND FLYING SUITS-KAPOK AND MILKWEED

Mr. McNIVEN:

1. What quantities of kapok were imported in the years 1939, 1940, 1941, 1942 from (a) Java, (b) other countries? [Mr. Mackenzie King.] 2. Is the floss from the milkweed a suitable substitute for kapok in the manufacture of life jackets and flying suits required by the navy and the air force?

3. Is the milkweed a product of Canada and will the government subsidize its growth, as has been done in Michigan?

GLUE

Mr. McNIVEN:

1. What quantities of glue were imported in the years 1938, 1939, 1940, 1941 and 1942, (a) from the British isles, (b) from other countries?

2. What is the estimate of Canada's requirements of glue for the years 1942 and 1943?

3. Has the government authorized the annual export of 1,000 cars or any number of cars of dry prairie bones suitable for the manufacture of glue, to Consolidated Chemicals Industries Inc., of San Francisco, California?

4. Has the government contracted for the purchase of glue for war purposes from said company, and if so, in what quantities and at what price?

5. By what agency is the glue so purchased distributed or sold in Canada and upon what terms?

6. Why was a plant for the manufacture of glue not established in western Canada?

PUBLICITY IN THE UNITED STATES—REPORT OF CHARLES VINING

Mr. CARDIFF:

For a copy of the report made by Mr. Charles Vining with respect to publicity in the United States of America.

Mr. MACKENZIE KING: Mr. Speaker, this report is a confidential report prepared as such for the government. It contains a number of references to persons not only in Canada but in the United States, and was not intended for publication but for the guidance of the government in considering this whole question of publicity. Therefore the report cannot be tabled—certainly not at present.

I should like in speaking of the report to draw attention to an editorial which I read in one of the local newspapers, dated July 8. It is headed "Vining Report Pigeonholed." There is a statement in the editorial that "his report"-that is Mr. Vining's-"is in the hands of Mr. King," and it goes on to say what is recommended in the report, and the name of a certain person is suggested as the one who is to be the head of some new department. This editorial is dated July 8, and I have noticed in other papers of Canada editorials based on this particular editorial. I have in my hand at the moment Mr. Vining's letter to me transmitting his report. As a matter of fact it is dated July 10, 1942, and was not received by me until July 11. I had no knowledge whatever of anything the report contained. I had not had any personal inter-

Questions

2. How many men from Gaspé were members of the 1st battalion of the Royal Rifles of Canada?

Mr. RALSTON: Mr. Speaker, I want to ask the hon. member to drop this question, more on the grounds that it would take a great deal of time to compile the information and would establish a precedent which I think the house would not want to see put into effect. The Royal Canadian Air Force advises that its enlistment records are not classified according to constituencies. To tabulate this information would require a review of the record of the entire strength of the Royal Canadian Air Force, and the time and work involved would seriously retard the normal work of the division.

In regard to the army, a compilation to answer question 1 (b) is not at present available. It would take several weeks to compile it, and if compiled for Gaspé a precedent would be established on which members might base demands for similar information with respect to the other 244 constituencies.

Question dropped.

VICHY CONSULATES

Mr. FULFORD:

1. Has the government any check on the activities of the former consuls of Vichy France whose offices were ordered closed?

2. Where are these consuls now?

Mr. MACKENZIE KING: All French consular offices in Canada were closed at the end of May. The former consul general in Montreal, and the former consul at Vancouver will be leaving Canada as soon as the necessary travel arrangements can be completed. The former consul at Winnipeg and the former vice-consul at Montreal are presently employed by the French legation in handling consular business which has been transferred to the legation since the closing of the consular offices. In their present capacity they have neither diplomatic nor consular status. The honorary consular agents of France are practically all British subjects who have been continuously residents in Canada.

PRICE CEILING-FLUID MILK

Mr. PURDY:

1. Is the ceiling for fluid milk still fixed at one cent per quart higher in Saint John, New Brunswick, than in Halifax, Nova Scotia?

2. What price is paid for fluid milk by the distributors to the producers in, (a) the Saint John district, (b) the Halifax district?

Mr. ILSLEY:

1. The ceiling price for fluid milk at Halifax is 12 cents per quart; the ceiling price for fluid milk at Saint John is 13 cents per quart. 2. The price paid by distributors to producers in the Saint John district is \$2.45 per one hundred pounds of milk having a minimum test of $3\cdot 8$ per cent butterfat; and in Halifax district \$2.25 per one hundred pounds of milk having a minimum test of $3\cdot 7$ per cent butterfat.

The above prices are for milk delivered in the cities of Saint John and Halifax respectively, and are taken from the latest orders of the New Brunswick and Nova Scotia milk control board, which were approved by the wartime prices and trade board.

CANADIAN PRISONERS IN JAPAN—JAPANESE NATIONALS IN BRITISH COLUMBIA

Mr. REID:

1. Have any representations been made by Canada asking that a representative of the Canadian government be allowed to visit Japan with the view of finding out at first hand how Canadian soldiers and citizens, now prisoners of Japan, are being treated?

2. If so, has any intimation been made by Japan that a representative of the Canadian government would be allowed to make such an inspection?

3. Have any similar representations been made on behalf of Japan in connection with Japanese nationals in British Columbia?

4. Is there a representative of Japan at present in Canada making an investigation into conditions affecting Japanese nationals at Hastings Park work camps and other places where Japanese nationals are being located?

5. If so, what is the name of the Japanese representative and to what country does he belong?

6. How many such representatives, if any, have been permitted to enter Canada for this purpose?

7. Are there any Japanese nationals or of Japanese origin accompanying the representative on his tour of inspection?

Mr. MACKENZIE KING:

1. Representatives of the protecting power in charge of Canadian interests have been in touch with Canadian nationals in Japan since the outbreak of war, and reports have been received both through these official representatives and through the local delegate of the International Red Cross regarding conditions in the internment camps in Japan.

The Japanese government have not yet permitted representatives of the protecting power to visit Hong Kong, which is still designated a "zone of military operations." An International Red Cross delegate has been allowed to go from Shanghai to Hong Kong to assist in the distribution of relief. Strong representations have been made to the Japanese government that a Swiss representative be permitted to take charge of Canadian

(c) Resolution 17 shall be applicable only to the income of the 1942 taxation period and fiscal periods ending therein;

(d) Resolution 18 shall be applicable to the income of the 1941 taxation period and fiscal periods ending therein and all subsequent periods;

(e) Resolution 19 shall be deemed to have come into force on the 24th day of June, 1942, and shall be applicable to all payments made on and after the said date.

Mr. HARRIS (Danforth): Paragraph (a) of this resolution reads:

Resolutions 1 to 15 inclusive, 20 and 21 shall be applicable to the income of the 1942 taxation period and fiscal periods ending therein and to all subsequent periods.

The question I raised this morning pertained with a greater degree to 1942 taxation than perhaps the taxation of any previous year. When the minister is framing the bill I should like him to give consideration to giving the power to the minister to permit an administrator or executor of an estate, whose income from the estate is not sufficient to pay income taxes and succession duties, to encroach on the capital to the extent necessary to pay these taxes, at least to the extent of the difference between taxation at the date the will was drawn and the date of probate, or allow the entire succession duties to be paid out of the estate.

Mr. ILSLEY: May I look at that question and perhaps answer it to-morrow? There are two or three resolutions which have been allowed to stand, including the royalty and prospecting resolutions. I do not think we can finish them to-night. I think this resolution should stand also.

Resolution stands.

Progress reported.

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

Wednesday, July 22, 1942

The house met at eleven o'clock.

CANTEEN FUNDS

Fourth report of special committee on canteen funds.-Mr. Macdonald (Brantford City).

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

DR. T. T. SHIELDS

Mr. LaCROIX (Quebec-Montmorency):

Is it the intention of the Minister of Justice to take steps for the internment of Dr. T. T. [Mr. Jackman.]

Shields who recently pronounced the following words: "The Roman Catholic church has done everything possible to discourage enlistments"?

Mr. ST. LAURENT: This question deals with the same matter that was mentioned in the question to me by the hon. member for St. Mary, on June 12 last, and which appears on page 3302 of Hansard.

The matter involved has been and still is under investigation by the department.

MARQUIS, SASK., POSTMASTERSHIP

Mr. CARDIFF:

1. What is the name of the postmaster at Marquis, Saskatchewan? 2. When was he appointed? 3. By whom was he recommended for the position?

4. Is he a veteran of the great war?

5. If not, did any veterans make application for the position and what are the names of such persons?

Mr. MULOCK:

1. Office vacant due to death on 3rd April, 1942, of J. E. Jenner. Mrs. Hazel Stewart, former assistant, is acting postmaster.

2. April 4, 1942.

3. Placed in temporary charge by the district director of postal services, Moose Jaw.

4. No.

5. Yes. E. A. Brown, the present postmaster at Prendergast, Sask., a non-resident.

SYNTHETIC RUBBER-SARNIA PLANT

Mr. HATFIELD:

1. Is the government constructing a plant at or near Sarnia, Ontario, for the manufacture of synthetic rubber from petroleum products?

2. Is this process a cheaper process than the manufacture of synthetic rubber from wheat?

3. If not, why is this process being used?

Mr. HOWE:

1. Yes, in southern Ontario.

2. As synthetic rubber has not been produced on this continent in commercial volume by either process it is impossible to answer this question.

3. It is proposed to use both processes in the government programme for the production of synthetic rubber in Canada. Butanol produced from wheat will be shipped to the southern Ontario plant and there converted into butadiene, the principal ingredient of Buna-S rubber. The butadiene at this plant will be synthesized with styrene into Buna-Srubber.

CANADIAN FORCES-GASPÉ ENLISTMENTS

Mr. FULFORD:

1. What are the total enlistments from theconstituency of Gaspé, (a) in the navy, (b) in. the army, (c) in the air force? operator. He might have to wait for a period to find out whether he could make the contribution himself. No matter how we approach the situation, there will be great difficulty. As I say, for the last three months the government has refused to place farm wages under a ceiling, as has been done with other callings.

Mr. TUSTIN: Do I understand the minister to say that this national defence tax and the deductions for compulsory savings are payable three days after they are taken from the payroll? Is that not an innovation to the practice in connection with the national defence tax which was deducted each week but payable on the 15th of the following month? Must the employer send in a cheque every week?

Mr. GIBSON: Three days after the pay date, but not more often than once a week.

Mr. TUSTIN: This will mean three times as much work for the employer in making up statements, issuing cheques, and sending them in to the income tax collector.

Mr. ROY: Could the minister not make other arrangements for the collection of the income tax at the source in order to avoid trouble in making refunds at the end of the year? This practice is quite expensive for the government, and it is inconvenient for people to have to wait for their money when a refund is due. Why could the employer not start to make deductions just at the period when a man has earned, if he is single, \$660? If a man is making \$100 a month, deductions from his wages should not be made before he has worked for seven months. In industries such as lumbering and fishing many employees do not work all year, and certainly many of them do not work for seven months at \$100 a month. The government will be obliged to refund income tax deducted at the source, and this could be avoided if the employer were allowed to check the wages of a man and permit him to work for a certain period before starting to make the deductions. If a married man is making \$100 a month, it will take him a whole year to earn \$1,200, and he would not be taxable.

Mr. ILSLEY: We discussed that before this evening, and I think the tax will have to be collected on the income as earned. I do not think a measure of judgment can be allowed the employer. He may have reasons for thinking that a man working for him will not earn the minimum during the year, but the only reason the government can recognize is the rate of pay which an employee is receiving. If an employee is not receiving the minimum rate his employer need not make a deduction. That has been the case in the past, and it will continue to be the case. The hon, member for Rosedale (Mr. Jackman) has asked that I prevent the impression from going out—is that the main question?

Mr. JACKMAN: It is the main request. It was not a question.

Mr. ILSLEY: I was asked what I thought was a question of law, and I gave what I thought was a correct answer. The hon. member raises a question of desirability or policy, and he would like me to say that I think it would be most undesirable for any employer to undertake to pay the national defence tax, whether he be a farmer or anybody else. I should like to give that some consideration. The hon. gentleman may be perfectly right about that; it might be undermining the structure, but it occurred to me that it would apply to only a small class of employees, those who are not under the wage ceiling, and perhaps it would not be as serious as he says. However, he may be perfectly right, and I shall try to consider what the implications will be.

Mr. JACKMAN: The question is, on whom is the incidence of the tax? I tried to get figures from the government; I had a question on the order paper as to how many employees of the government or employees of government-owned corporations have their income taxes paid by the government. I have not had a complete return as yet, particularly in regard to one large government-owned institution. I also asked about how long a time can lapse before a claim for national defence tax should be made. How soon do you have to send in forms? I do not suppose one per cent of the people who are entitled to rebates on national defence tax have ever put in claims. I have never seen a form. Is it a period of twelve months, or would the statute of limitations apply, as the leader of the opposition suggested?

Mr. ILSLEY: There is no statute of limitations.

Mr. JACKMAN: I asked the Minister of National Revenue how he would work out the case where a person had several sources of income. A man is in the 30 per cent bracket, but any one of the three sources would require more than 15 per cent to be witheld. I am trying to find out about the administration.

Resolution agreed to.

26. That any enactments founded on

(a) Resolutions 1 to 15 inclusive, 20 and 21 shall be applicable to the income of the 1942 taxation period and fiscal periods ending therein and to all subsequent periods;

and to all subsequent periods; (b) Resolution 16 shall be applicable to the income of 1943 taxation period and fiscal periods ending therein and all subsequent periods; pay the income tax deduction which normally would be paid by a hired man, instead of having the hired man pay it himself?

Mr. ILSLEY: That would, I should think, be equivalent to a gift to the employee in the amount of the deduction, and perfectly permissible.

Mr. GRAYDON: Is there anything wrong about it?

Mr. ILSLEY: I do not see anything wrong.

Mr. GRAYDON: Then that is the whole question.

Mr. CASTLEDEN: Has the minister the figures showing how many taxpayers there were in the dominion last year who received less than \$660 or \$1,200 as the case may be?

Mr. ILSLEY: No, we have not those figures.

Mr. CASTLEDEN: Or any approximation of them?

Mr. ILSLEY: No. On this question of refunds I may say that in the fiscal year ended March 31, 1942, there were 46,522 refunds of national defence tax.

Mr. TUSTIN: How many applications?

Mr. ILSLEY: I do not know.

Mr. CASTLEDEN: These were from people who earned less than the minimum?

Mr. ILSLEY: I do not know, but 46,522 refunds were made.

Mr. JACKMAN: I believe the minister has just given expression to a principle which is fundamentally unsound, and to a practice which should be stopped right away. That is, that any employer can pay the tax of an employee and have it considered equitable in the eyes of this statute.

_Mr. ILSLEY: Not where there is a wage ceiling, of course.

Mr. JACKMAN: I was not speaking of wage ceilings. If you allow that principle to go out from this house you will find that all kinds of employees will demand and insist that their employers, who already are burdened by their own taxes under this and previous acts, pay the national defence tax for these employees. You cannot admit that principle for one moment, because it affects not only factory employment but domestic service, farm employment and all sorts of service. If an employer pays the tax-on the wages of the employee, certainly that is an addition to the income of the employee and there must be a tax on the tax paid. Therefore you never catch up with yourself. The

[Mr. Graydon.]

minister should be clear on this matter and should not answer as he did without adequate contemplation, or without sufficient opportunity to give the matter thought.

Mr. ILSLEY: The hon. gentleman is technically correct there, about its being an addition to the income. Of course the wage ceiling applies to practically all employees in Canada, and where that ceiling applies this could not be done because it would be a violation of the order relating to the stabilization of wages. When I gave that answer I had in mind farm labour.

Mr. JACKMAN: Are you going to allow employers to pay that tax?

Mr. ILSLEY: They cannot pay it without violating the wage ceiling, where there is one.

Mr. JACKMAN: Well, of course the wage ceiling does not apply to a great many classes of employment as yet, as the minister is aware. I do not know about seasonal employment in the canning factories and on farms, but certainly it does not obtain in domestic service and in many other branches of employment. If this principle is allowed to stand it will cause all sorts of hardship. I know there are places where the employers do pay the tax in order to keep their people in employment, as the hon. member for Qu'Appelle mentioned. We even see advertisements in the newspapers to the effect that persons will accept certain rates of pay, pro-vided the tax is paid by the employers. It is astounding what some people will demand, when they know their employers must pay heavy taxes before they can pay wages, and therefore I hope the minister will not allow this principle to stand. I should like to ask also how much time may lapse before a person who has had the national defence tax deducted from his wages may reclaim that tax from the department, after he finds that he has not come up to the minimum.

Mr. ILSLEY: Any time.

Mr. ROSS (Souris): How often must the employer turn in these deductions to the government? What are the periods? I should like to know, because I want to follow this up.

Mr. GIBSON: Within three days after the close of the pay period.

Mr. ROSS (Souris): The minister has said that there is no price ceiling on farm wages. For many months we have been trying to have regulations passed in that connection, and this is going to prove rather difficult for the farm in this case. I have a hired man, have had him all the summer, I pay him \$60 a month, he served me with notice that if I deduct from him in August he is going to quit."

True, he cannot go into industry because farm labour is frozen by order in council. "But," he says, "I am going to lose my man at a time when I need him in the worst way. He can get much higher wages from farmers nearby." I may say that I thought of telling him to pay the tax himself and say nothing about it to the government, but that would only increase the man's wages as far as the farmer was concerned. What can I say to him? I should like an answer from the minister, because I have received many similar inquiries.

The CHAIRMAN: I do not believe it is in order to ask questions like this, and crossexamine the ministers as though they were witnesses. The ministers explain the provisions. They are not here to tell any hon. member how to reply to a consulting elector.

Mr. PERLEY: I think many electors would be pleased to get a statement from the minister.

Mr. CHURCH: Under the principle of this provision the government is just as bad as the government of Germany. The principle there is that might is right. I can say this to the government, that this whole budget is interfering very seriously with industrial conditions in this country. The government is now going to collect this tax at the source. So far as I know that never has been done anywhere except in British Honduras, where that principle was adopted. In my opinion the government is making a great mistake, because the people will not have the money with which to pay the tax. In the second place, the burden, as collector, is now placed upon the employer as well as the employee. From what I understand, the government or the state will have to bury a lot of people because of this budget. One undertaker, as a result of this budget, told me that he wanted the cash before he would bury a person in the cemetery. The hospitals also want cash. I do not know where it is going to end, because the government puts in its hand and takes the total amount of the tax first, and as a result all the others will have to wait for their money. In the end I believe the government will lose a great deal of money by this confiscatory method. We are here in Ottawa; we do not know the feeling in our constituencies. I have seen this principle adopted in other countries, and always it has brought about reduced revenues. I think the minister should pay attention to

the handwriting on the wall. The people cannot pay these taxes. It is all very well for the minister to smile; there will be less smiling after this budget has been in force for a year. The undertaker will also act for the authors of the budget.

Mr. GRAYDON: With great respect for your ruling, Mr. Chairman-

The CHAIRMAN: It is not subject to debate.

Mr. GRAYDON: I am not going to debate it; I am going to make a statement in order to be clear on the matter. I want to say this, that whether the Chairman realized it, or whether the minister realized it, the question asked by the hon. member for Qu'Appelle is being asked all over the country.

The CHAIRMAN: Order, please. The hon. gentleman cannot refer to the ruling or to the question that was asked and declared out of order. The matter before the committee is not an exchange of correspondence between an elector and a member of parliament, or the answer that may be given by a member to any question asked. The matter before the committee is the budget resolutions, and I invite hon. members to limit their discussion to those resolutions.

Mr. GRAYDON: I bow to your ruling, Mr. Chairman, but I should like to ask the minister a question, not based on any letter I have received but in order to obtain advice on this particular point. Let us say a farmer in western Canada has a hired man and that hired man says that if the tax is deducted in August of this year he will quit. The farmer wants to know what to do. This is not by way of letter; there is no correspondence. This is a hypothetical question which I think I have a right to ask the minister, because it involves a most important principle.

The CHAIRMAN: Order. The hon. gentleman cannot put a hypothetical question-

Some hon. MEMBERS: Oh, oh.

The CHAIRMAN: I am very serious; and at this time of night, when we have such important matters before the committee, I hope hon. members will cooperate in order to expedite the work. I have ruled out of order any question which is not strictly relevant to the section now before the committee.

Mr. GRAYDON: Then I will abandon my former method of procedure in favour of what I hope will be a better one. Let me ask the minister this. Is it in order for a farmer to

Income War Tax Act

COMMONS

these factories know full well before the season begins that their employees with few exceptions are not going to earn that much money. Let me give one example. A factory employing 130 employees, seasonal workers, last year had three employees who earned enough to be liable for national defence tax. In spite of that there had to be 130 entries and the tax deducted from these individuals, and I ask the minister, how many of them got a refund, or how many of them will ever get it? I protested before that it would take a great staff in the office of the minister to see that these refunds were made, provided applications were made for them. As the minister may know and as I am sure hon. members will know, there is not one applica-tion in a hundred made for such refunds; the government obtains and keeps a good deal of money that actually belongs to the employees, money which is not due the government under the statutes of this country. The minister could do a great service if he would to-night instruct his officials to go to work and set up some scheme that would be simpler and would get the same results in the end, so that the tax would be collected when it was payable and everyone in the country would be able to understand it.

Mr. JACKMAN: This resolution still is not clear in its application to all classes of taxpayers. Supposing a person receives income from three or more sources, as a good many people do. If I recall correctly, on the personal income tax return form there are seven or eight sources of income listed. If a person is not properly subject to any withholding for minimum savings requirements by reason of paying enough in insurance premiums and so forth, will he have to give each one of these sources of income evidence to disclose that he is not subject to tax as far as the income from that particular source is concerned?

This resolution also envisages a withholding of part of the income tax from month to month. How are you going to indicate to an employer, or to the dominion government here, that you should have a certain amount withheld from you? If your income is \$4,000 you are in a certain bracket. If you are getting \$1,000 from another source, that employer knows only about the \$1,000. Have you to make a revelation to each of four or five companies who may pay you a \$100 director's fee, for instance, what should be withheld in income tax before the payment is made to you? What has the government in mind there? As the leader of the opposition has said, it is not fair to ask people [Mr. Tustin.]

to indicate to all sources from which they may derive some income exactly what their total is. Surely, as in the past the government will rely on the filing of income tax forms to clear up any small or even large balances that may be owing. A person cannot very well escape paying what he justly owes to the country.

Mr. FAIR: Does the minister intend to send out instructors to make bookkeepers of farmers? He has told us that he had difficulty in understanding this income tax business himself. I am wondering as to the case of farmers who require help for a few days at harvesting or something, what kind of job they will make of calculating these deductions and what kind of return they will send in.

Could some other system not be worked out whereby this difficulty would be remedied? In many instances farmers hire their neighbours for a week or ten days at threshing time and then have to deduct national defence tax, which they are not entitled to pay because in many instances these men would not have, in the year, an income of more than \$400 or \$500, all told. Yet they were compelled to pay the national defence tax. Indications this year are that the tax will have to be calculated at a very high rate compared with what it will actually be, because when the harvesting or threshing season comes along, men will get perhaps \$4 or \$5 or \$6 a day, and after that time they are lucky if they average \$1 a day. The minister should take cognizance of the injustice being inflicted in those cases.

Mr. QUELCH: Would it not be possible to adopt some simple procedure whereby an employee would have proof that the employer had sent in the amount of money he claims to have deducted, because as hon. members have suggested there will be some employees who will feel that money is being taken from them and not being sent in? Could not something in the way of a duplicate receipt be adopted so that the employee could see that the employer sent in the money?

Mr. GIBSON: Yes, that receipt could be given each pay-day, or by large employers who have regular payrolls it would be given possibly at the end of the year; but if any man left their employ he would be given a receipt showing the amount deducted from his pay while in the employ of that firm.

Mr. PERLEY: How shall I reply to a letter I got last week from a farmer? I have the letter in my office. He says, "Will you find out from the minister what I am to do

that some better means should be found of returning deductions that have been made from income to those who have not received taxable income. Some better means should be devised than those that have heretofore been in effect. I am satisfied the government has hundreds of thousands of dollars—

An hon. MEMBER: Millions.

Mr. MacINNIS: From figures I have seen of the incomes of those up to \$2,000, I would not say that. Some way should be found, and if the workers realize that every cent they pay to the government, or every cent deducted from their pay, if not properly deductible, will be returned later on, there will not be any great difficulty. The leader of the opposition suggested last year that every employee should have a card and that when he worked for a particular employer he would mark the wages received and the deductions made, and he would take that card to the next employer, so that that would give at the end of the year an account of wages received. I do not think it is impossible to do something of that sort, and I am sure it would bring great satisfaction both to the government and to the taxpayers concerned.

Mr. ROSS (Souris): As this resolution reads, it applies to all salaries and wages paid by the employer to residents or persons in Canada. Does that apply to daily wages? Take, for example, farm and seasonal help. Does it mean that this fall when a farmer hires a man for a few days in connection with the harvest in the field he will have to go through all this red tape and make deductions similar to those which would have to be made throughout the year and which would put the man in the income tax brackets? Is that right?

Mr. ILSLEY: The same rule has to apply as in the case of the national defence tax.

Mr. ROSS (Souris): Well, you are certainly balling things up properly in this country. I do not know where we shall end. Imagine a farmer in the west who sees no possibility of getting his harvest in with the help available. He brings home some help from the town, and he is required to go into all these details that are proposed. I do not see how you can expect him to do this sort of thing; it is not possible. I do not know where it will all end.

Mr. CASTLEDEN: I offer a suggestion in line with what the hon. member for Vancouver East (Mr. MacInnis) has said. The Minister of National Revenue suggested that under this resolution the government

Income War Tax Act

intended to draw up a schedule whereby the employer would know what he should deduct from the employee's pay envelope, and it occurred to me that there is a simple way of getting round what I maintain is a great abuse in regard to taxing these people, hundreds of thousands of them being below the taxable level. To-day they are paying taxes and in some cases getting no refund. I was wondering whether it would be possible, when the schedules are drawn up, to put in a regulation to this effect, that until a single person receives \$660 he shall not be taxed, and no married person shall be taxed until he receives \$1,200. After the person has received the taxable amount the deductions could be stepped up.

Mr. GIBSON: The tax has to apply on payments made at definite rates. A man might change employment once a month. The employer simply deducts the tax from any salary paid at the rate of \$660 a year or higher in the case of single men or \$1,200 in the case of married men.

Mr. CASTLEDEN: I understand that, but could the employer not find out whether that man has yet received his \$660, and until such time as he does receive it he would not be taxable.

Mr. ILSLEY: It must be deducted as it is earned.

Mr. CASTLEDEN: What is happening now is that it is being deducted as it is earned. The man probably gets employment for six months at \$100 a month, and if he does not get employment for the rest of the year he gets no further income but still has paid his tax and cannot get it back.

Mr. TUSTIN: I agree with the minister that this is a hard budget. But I go farther and say that it is the most complicated piece of legislation I have ever seen in my time in this house. How the minister expects the average individual to be able to figure out this tax is more than I can understand. I want to repeat what I have said for the

as two or three years with regard to seasonal work. I have protested on behalf of the seasonal workers each year since the national defence tax was put into effect, and I protest again to-night as strenuously as I can. In my constituency I have thousands of people who work part time at seasonal work in the canning factories. It has been the policy of this government to insist that the employers deduct the national defence tax from these people if they were earning at the rate of over \$660 a year. The employers in 4508

organizations for the operations of which I am responsible, the national war finance committee, with its fifteen or twenty thousand workers, is going to employers, employers like the hon. member for Northumberland, New Brunswick, who says he does not understand this, I do not wonder that he does not: perhaps I do not understand it too well myself, but it can all be made perfectly clear. Tables will be put in their hands: they will be told how much they shall deduct, and when they can give effect to statements of workmen about principal payments and payments to pension funds and insurance schemes. Their cooperation will be invited, and the cooperation of the workmen will be invited. It may be that we should have had them in, but there is no time to do everything in this world. The government must make some decisions itself. and it has only twenty-four hours in the day in which to act. We made that decision and we worked out this plan, which is a fair plan. It is open to the objection of the employee who does not want his employer to know that he has a mortgage on his house or that he has a life insurance policy, but though the employer will know that, it is not going to do any great harm. Is it a great sacrifice to ask the workmen of this country to make, when you consider the sacrifices which people are making in other parts of the world? We should not magnify out of all reason all these little discomforts and inconveniences and sacrifices.

Mr. HANSON (York-Sunbury): After that scolding by the minister I have just this to say, that I have shown this government as much cooperation in its war effort and in relation to this very budget as I could be humanly asked to give. I put myself in the judgment of the membership of this house if I have When I object to certain not done so. theories which are advanced in relation to one detail the minister says I am making a dreadful speech and I am upsetting the whole ideas of the public. I resent that sort of thing; I do not have to take it from the minister. If necessary, I will fight back. Usually I am a fairly pacific kind of a man. Sometimes I may simulate rage, but, frankly, even now I cannot get very much enraged over the minister's scolding. If I were twenty years younger or if this had happened twenty years earlier, I might be flying across the floor, but I am not doing that any more. I do not want to be open to the charge that I am hindering the government's war effort; but I say this, and say it with great sincerity, great honesty of will and purpose, that a human being has a dignity to preserve, not least in relation to his own private affairs. One of the things we are fighting for is the personal rights of the democratic citizens of this country. Government regimentation in Canada is going beyond all bounds in certain respects. I can only give the honest reaction of my own mind to a proposal of this kind. If I am wrong, well, I am sorry. I think there is a large measure of truth in the position I took and I have nothing more to say about it.

Mr. MacINNIS: I was not present during the first part of the discussion, but I agree with the principle of deductions at the source as far as ordinary employees are concerned. Persons of this class have said to me that they would rather have it this way than go to the trouble of making returns when they keep no records of wages or other income received during the year. Section 25 provides for regulations which will be determined by the governor in council as to the manner of collections and deductions. I have given the matter a little thought, and I believe that persons making an income of over \$660 should be compelled-possibly that is the intentionto make a return at the end of the year. In that return the employee could make any disclosures that might be required which he did not wish to make to the employer. I am not greatly concerned about the objections to the worker disclosing certain information to his employer because I am satisfied that during the last ten or twelve years, at least from 1930 to 1939, many hundreds of thousands of workers throughout the country had to bare their very souls not to the inspector of income tax, not to their employers, but to busybodies who came round to find out everything they possessed and their prospects of possessing. They had to give all that information before they could get a bite to eat. This is no worse than that, and the occasion that demands it is much more imperative than the situation that existed between 1930 and 1939. I think the situation could be met by making the deductions in this way. It will help the person drawing a small income, because such persons live close to their incomes, and at the end of the year there are no savings left from which a lump sum can be taken. It would save them the trouble and the worry about where income tax payments are to come from. If arrangements were made so that at the end of the year each would make a return disclosing anything that needed to be disclosed, it would meet the situation.

I think it may be in order under this resolution to point out to the Minister of Finance and the Minister of National Revenue

[Mr. Ilsley.]

Mr. HANSON (York-Sunbury): He has to disclose some of his private affairs to his employers.

Mr. ILSLEY: What he owes.

Mr. HANSON (York-Sunbury): Well, are they entitled to know it?

Mr. ILSLEY: Not all that he owes, of course.

Mr. HANSON (York-Sunbury): No, a part of what he owes. It is all done in an endeavour to make the tax collections easy and free of cost to the government, and to avoid any loss.

Mr. GIBSON: No, it is to avoid overcollections necessitating refunds to the taxpayer.

Mr. HANSON (York-Sunbury): And, in a degree, a few refunds. It is, of course, a practical matter. There is a principle there. I am not going to labour the point; it is getting late and we want to go away, but the objections have been pointed out. This the objections have been pointed out. government will reap a great deal of unpopularity from this proceeding. I cannot imagine anything more likely to turn up the nose of a self-respecting man than to pry into his private affairs any more than is absolutely necessary. I object to the underlying principle. I object to anybody knowing any more about my affairs than the necessary minimum. All of us have to yield to the force and authority of law; that is one of the theories upon which democracy is based; but there are certain standards of ethical conduct which we like to see observed, and this is a violation and breach of some of those standards.

Mr. ILSLEY: Well, Mr. Chairman, we shall have to go out and do what we can to counteract the effect of that speech, if anyone reads or listens to it. This is not an authoritarian government trying to perform a bureaucratic act; it is the outcome of the harsh necessities of the present situation. If the hon, gentleman knows of any better way to do this I would like to hear it. He certainly has not told it to the committee to-night; all he has done is to use very harsh and very—

Mr. JACKMAN: -true-

Mr. ILSLEY: —bitter language, which, if taken seriously by workmen throughout this country, will make them sore. It is undoing the work which the government is trying and properly trying to do. The unauthorized announcement of the alternative scheme came out in the press. Immediately we received a deluge of protests from people all over the

Income War Tax Act

country who said, "Why cannot I simply file a statement of my life insurance premiums, the payments of principal instalments on my mortgage and my payments on pension schemes, so that I shall not have this money deducted from the amounts due me for the greater part of the year and have to await a refund?" That seemed sensible. The workmen of this country have not all this excessive pride which the leader of the opposition says he has as a member of parliament.

Mr. JACKMAN: You would be surprised.

Mr. ILSLEY: What hurt is it going to do to a member of parliament, even the leader of the opposition, to divulge to the comptroller of the treasury the fact that he has some life insurance, or that he has a mortgage on his property? If there is, which I do not believe there is, how much is that for him to do in a time like this? Here we are, with a terrible war raging round us, with awful reverses in foreign countries; and in this House of Commons, which goes on day after day, the leader of a great party rises in his place and says that his freedom must not be interfered with to the extent that he shall tell a government official how much life insurance he has. That is total war, is it? Certainly we have to do some of these things. I get rather tired of having the government lectured about its duty to wage total war and to regulate the people where it is necessary. A colleague of the leader of the opposition, the hon. member for Danforth, in a dramatic peroration said, "Lead us, and tax us, and do this and that and the other to us."

Mr. HANSON (York-Sunbury): "Give us leadership."

Mr. ILSLEY: "For heaven's sake, lead us." Now we have worked out a budget which is a hard budget, but we have gone to all kinds of pain and trouble to take into account the peculiar individual situations of the taxpayers of this country, not to bear on them with undue hardships, not to weigh them down with great burdens when they have savings commitments and situations of that kind. We have considered plan after plan to make this taxation as just and as easy as possible for them, and we finally decided that this, all things being considered, is the best plan for them-as the hon. member for Rosedale says, by far the best plan for them and the best plan for the government. We are entitled, I think, to a little more cooperation than the kind of speech that the leader of the opposition has just made. Of course you can find something wrong with everything. But one of the It was not a case of the government seeking an interview with the employers to ask what would suit them. As a matter of fact, the method then suggested was not adopted.

Mr. O'BRIEN: The Minister of National Revenue has spoken of the method to be followed in collecting this tax at the source. The employee must disclose to the employer his deductible commitments, so that the employer may comply with the law. I can understand that, so far as big business is concerned, but in the maritimes and in New Brunswick particularly, perhaps more especially in my constituency, business is carried on very often through small employers, jobbing contractors, logging contractors and the like, and it will be utterly impossible for these logging contractors to know what is required. I am quite sure that the employee himself will not know. First of all he will attempt to seek guidance from his employer. If the employer cannot guide him, which I am sure he cannot, because after sitting here in this house and listening to the discussion I could not possibly advise my own office as to what is required, then who is to guide him?

Again, I think the minister is basing his idea on the employee being a factor in a large business where his employment continues from day to day, but in the maritimes, and in my constituency, there is a floating labour population. In fact it has been said that there are three crews, one working, one coming and one going. Men may drift in. work a day or two, and then if the food does not suit them or the working conditions do not suit them or they become homesick, they may quit after working one day or two or three days. If the employee has to make a declaration to the boss in the camp, it seems to me that we shall require the coinage of some new money in Canada, something perhaps in mills, so that the employer can deduct from the man's pay what it is proper for him to deduct after one day's work. The system is so complicated that while it may work in the big plants, the tax cannot be collected through some employers as business is conducted in the maritimes. The only possible solution I see is that on a certain day each year every human being in Canada who is seeking employment must be given a number and a book of some sort.

Mr. HANSON (York-Sunbury): Regimentation.

Mr. O'BRIEN: We have reached that point in our regimentation where individuals have become almost like boxcars and have to have a number. The individual will then carry that [Mr. Gibson.] number with him in his book with a declaration as to his standing in the social order in this country. Then there can be no argument about the matter.

As it is now, if the employer tries to guide his employee, the employee will quite naturally think the employer is prying into his business and becoming impertinent. I do not think it is fair for the government to force that responsibility on the employer. If we are to be regimented, each person must have a number and a book in which to keep his records. It seems to me that we have reversed the idea of government. It seems now that the people are made for government, rather than government for the people. If we have reached that point, we must use sensible methods in carrying this idea into practice. It is all very well for gentlemen to sit in an office at Ottawa and decide that because they need a vast amount of money, therefore it can be easily obtained through the employers of this country by a process of arithmeticaddition, subtraction and multiplication. It is not, however, so easy as that. Unless the system is simplified, a great many employees are not going to pay this tax because they do not know what it is all about, and a good many of their employers do not know.

Mr. HANSON (York-Sunbury): What is the position with respect to members of parliament? A member of parliament paid national defence tax on his indemnity as if he were an employee. The statute, I think, justifies that. The tax was deducted by the accountant of the House of Commons, and there was no question about it. But now the rates are graduated, and what is going to be the position? Are we employees? Have we to disclose to some person—I do not know what body vet—

Mr. ILSLEY: I would say it would be the comptroller of the treasury himself.

Mr. HANSON (York-Sunbury): That is what the minister has in mind? Well, I object to disclosing to any comptroller of the treasury my private affairs. It is bad enough to have to do it to the commissioner of income tax for whom, of course, personally I have a very profound respect. He is, however, my taxing master, and I do not know that we ever greatly love taxing masters. I object having to disclose to the comptroller of the treasury my private affairs, just as the conductor on my railway train tells me that he does not want to have to tell the Canadian Pacific Railway Company how much he has by way of investments. Why should he have to?

Mr. ILSLEY: Just the insurance, and the principal—

Mr. HANSON (York-Sunbury): I continue:

5. The employer must tell his employee what return he is making concerning that particular employee early in September, so that the employer and employee returns will conform.

I assume that is correct.

Mr. GIBSON: Yes.

Mr. HANSON (York-Sunbury): The next is:

6. An employer must make a return on each employee whose salary or wage is three-quarters of such employee's total income.

Is that correct?

Mr. GIBSON: The employer does not know anything about the employee's total income other than his salary.

Mr. HANSON (York-Sunbury): It is threequarters of his total income.

Mr. GIBSON: The employer files a return showing what is paid to the employee, but the employer has no knowledge as to whether the salary he pays to the employee is threequarters or the total amount of the income of the employee.

Mr. HANSON (York-Sunbury): I want to go a little farther. It says:

The most important feature of to-day's announcement is that deductions from pay envelopes include approximately one-third of the refundable portion of the tax, and not the full amount.

The budget provides that taxpayers may offset the refundable or compulsory savings portion of the tax by deducting payments on life insurance premiums, superannuation fund payments and payments on principal of mortgages.

That has been enlarged upon to-day. It goes on to say:

The national revenue department has decided on requiring the employers to deduct approximately one-third of the refundable portion of the tax and the balance will be adjusted between the taxpayer and the income tax office after deduction of the insurance premiums, superannuation—

And so forth. Is that a true statement of the position that has been arrived at? If not, how is it going to be done, so that the public may know?

Mr. GIBSON: That one-third suggestion was discussed—

Mr. HANSON (York-Sunbury): And abandoned.

Mr. GIBSON: —and abandoned because it would not work out fairly to some taxpayers. It meant that those who would be entitled to a refund would be paying one-third of the refundable portion and then would have to wait for a refund later. Mr. HANSON (York-Sunbury): What is the position now?

Mr. DIEFENBAKER: Under the scheme announced this evening every employee is subject to his employer knowing practically all his business.

Mr. GIBSON: No, no.

Mr. DIEFENBAKER: The employer will know what insurance his employee carries, what principal payments he is making on a mortgage or agreement of sale. He will know to what superannuation or pension fund the employee is contributing.

Mr. GIBSON: He knows that in most cases already.

Mr. DIEFENBAKER: He knows the latter, yes. But this whole business is a startling intrusion upon the privacy of the employee by the employer. I have no objection to it if the labour men of this country have been consulted about it, if organized labour has given its approval, but according to the press announcement on July 9 those who were consulted at the conference were representatives of the larger employees only. They met with the income tax officials. The question I now ask the minister is this: Have the representatives of labour, the great labour bodies, been consulted? If they have been consulted and are agreeable, there can be no objection because the scheme now outlined removes many of the difficulties and anomalies of the scheme that was announced previously.

Mr. GIBSON: There has been no interview with any organized body of labour, although the matter has been discussed with various individuals and we have reason to believe that the method which has been adopted is preferable to the one first suggested, of making some partial deduction. That would not work out fairly in every case.

Mr. DIEFENBAKER: This affects the private affairs of several hundred thousand employees, and surely if there was one case in which the representatives of labour should have been consulted, not unofficially but officially, this is the case, because unless you get the cooperation of labour this will be entirely unworkable and will result in the necessity of setting up a rebate board here in Ottawa, which will require many additional hundred employees being added to the ranks of the civil service.

Mr. GIBSON: The government did not invite representatives of the employers to come to Ottawa and discuss this matter, but some of them came on their own initiative and asked how it was going to be worked out. Mr. HANSON (York-Sunbury): He has to pay it?

Mr. GIBSON: Unless he has filed with his employer a statement showing that his refundable disbursements are equal to or more than that amount.

Mr. JACKMAN: One hundred per cent of the minimum savings requirement will be deducted currently from the payroll?

Mr. GIBSON: Unless some evidence is given to the contrary.

Mr. JACKMAN: I wish to congratulate the minister upon that, because that is a more satisfactory method as far as the taxpayer is concerned, and the government will not have to whistle for the two-thirds remaining unpaid.

Mr. McKINNON (Kenora-Rainy River): The minister is forcing the employee to disclose to his employer his private business. Under the existing regulations, income tax matters are considered secret, and this seems to me to be discrimination against the employee.

Mr. GIBSON: I admit that that is a regrettable feature. If the employee objects to making any disclosure to his employer, it is possible that he can file his receipts with the income tax department and have the income tax department notify the employer what the total deductions are to be. That would be a more cumbersome way of handling the matter.

Mr. HANSON (York-Sunbury): There will be some objection to this, especially among the higher paid men in the trade unions. The railway men are going to object to this; make no mistake about that. I have heard from some of them already. Let us consider a test case in connection with a member of parliament. A member of parliament has an indemnity of \$4,000 a year. Will he have to disclose to the Clerk of the House of Commons or to some other officer of the house what his offsets are as against this tax?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): It is not in keeping with the dignity of a member of parliament that he should have to do that. Is it in keeping with the idea of the income tax that he should have to do that? I ask these questions of the members of this committee in a searching way to try to arrive at a test as to whether this is a proper method. What about the ethics of this thing? What about having to disclose your private affairs? The hon. member for Kenora-Rainy River (Mr. McKinnon) has put his finger on the [Mr. Gibson.]

vital objection, the disclosure of the private affairs of the employee. I object to telling anyone my private affairs. I must disclose them to the income tax authorities so far as I have taxable income, but they do not get a bit more information out of me than is necessary. If they demand further informa-tion, I am bound to give it, but they have to query me about it. There is a principle underlying this, and on behalf of the taxpayer I object to it. Just think of the whip that is over his head. If he does not yield, he must pay the whole thing and wait, God knows how long, to get his refund. Some of us will be dead before the refunds are paid. There are thousands, perhaps hundreds of thousands of refunds under the national defence tax that have not been reached yet.

Mr. JACKMAN: How far back do they go?

Mr. HANSON (York-Sunbury): I would not think the crown would take advantage of the statute of limitations, but they do in other matters. I am wondering if some other method could not be devised to overcome the difficulty. From the report which appeared in the Ottawa *Evening Citizen* of July 9, I rather assumed that another principle has been decided upon. Here are the main points that were delineated there:

1. Deductions from the pay envelopes of the employees at the source will start with the first pay-day in September.

Is that being adhered to, or is it to be put back to October 1 because of the amendment?

Mr. GIBSON: The first payroll after September 1.

Mr. HANSON (York-Sunbury): The first pay-day in September. The next main point is:

2. Deductions over the year until August 31, 1943, will cover the entire portion of the income tax of the employee that is kept by the government and approximately one-third of the portion refundable after the war.

Is that a correct statement of the government's position?

Mr. GIBSON: No.

Mr. HANSON (York-Sunbury): The next is:

3. The employee must file his tax return by September 30.

That is correct.

4. The employer must file a statement of salaries and wages of his employees by October 15.

Is that date still being adhered to?

Mr. GIBSON: That is the date.

Income War Tax Act

and these tables will be approved by the governor in council and sent out to all employers.

The question now arises as to the refundable portion of the tax. That is what gives the greatest difficulty. It is proposed now to require the employer to deduct the full amount of the tax and the refundable portion.

Mr. HANSON (York-Sunbury): The whole of it?

Mr. GIBSON: Except where the employee files a return showing his employer that he intends to pay or expects to pay so much on life insurance, so much in capital payments on his mortgage, so much to a pension fund. The total of those payments will be sent in to the employer, who then will be able to see at a glance how much is deductible each month from the wages of that man. This will reduce refunds to the minimum; it will take as nearly as possible only the amount of the tax payable by the employee. We realize that this places an additional burden on the employer, and every effort will be made to minimize that burden as much as possible. The employer will not be required to have the actual insurance or mortgage receipts. All he will require is a statement from the man himself, and eventually the employee will file with the income tax department the actual receipts on which he bases his claim to those exemptions.

Mr. HARRIS (Danforth): Supposing an employee hesitates to give the information. Are you going to force him to do so?

Mr. MacNICOL: This question may be out of order, but I am sure the minister will not mind answering it. As the owner of several buildings I occasionally have to employ plumbers, steamfitters, roofers, painters, carpenters and so on, to carry out repairs. I give out all work of that kind by contract. Do I have to deduct, from any cheques I may give any contractors, anything in regard to income tax?

Mr. GIBSON: No; those are payments made to a contractor. In that case the man is not an employee.

Mr. FRASER (Peterborough West): I do not want to ask a question; I just want to offer the Minister of National Revenue a suggestion. I have in my hand one of the little slips that are put in the pay envelopes of the workmen, and on that slip there is nothing at all to say that the man may be entitled to a refund. Many employees know that if their income does not amount to \$660 or \$1,200, as the case may be, they are entitled to a refund

of the tax paid, but there are thousands who do not know that. I believe something should be printed on these slips indicating this fact, and I believe also something should be printed on the back showing that the employer makes an accounting of this money to the government, because some of these people feel that their employers are gypping them. There is a general feeling to that effect among certain classes of employees. I know of two men who left one employer and went to another because the first man was making the deduction from their wages and the second employer did not, though of course he should have done so. I believe there should be something printed on these slips to show that refunds are made if the wages do not go over certain figures, and also that the deductions are forwarded to the government.

Mr. GIBSON: We will take that suggestion into consideration.

Mr. DIEFENBAKER: I have a question to ask, because the announcement made by the minister to-night is quite different from the announcement which was made by the department on July 9.

Mr. GIBSON: That was not made by the department.

Mr. DIEFENBAKER: The announcement that came out from Ottawa stated:

Methods of collecting income tax imposed in the new budget from salaried persons and wageearners have been agreed upon at conference between income tax officials and representatives of larger employers.

Mr. HANSON (York-Sunbury): It was officially stated.

Mr. GIBSON: It was not officially stated.

Mr. DIEFENBAKER: The minister says that that announcement did not come from any government source.

Mr. GIBSON: That is right.

Mr. DIEFENBAKER: Is it correct to state that an order in council will be passed to provide that no portion of the refundable tax will be deducted from the wage-earner?

Mr. GIBSON: The order in council does not cover that point. The order in council sets out the amounts which the employer is to deduct when the salaries are at certain given levels; it is really just a table that will be approved by the order in council.

Mr. HANSON (York-Sunbury): Does that include the forced loan part?

Mr. GIBSON: It includes the forced loan, but it also shows the amounts that a man is entitled to deduct for the refundable portion.

Income War Tax Act

government give them any consideration at all for the extra clerical help that will have to be provided to do this work? Surely the government in collecting this money will not put the whole cost on the employers. That is not fair. They are being taxed very heavily now, and to make them pay all this extra cost of doing the government's tax collection is not fair. We have carried that principle to the limit.

I say it is not satisfactory to do this by order in council. The provisions should be in the bill. I want to make that clear. The minister had months before the budget was brought down to deal with this matter. These regulations should be ready and should be in the bill. We in this house are entitled to pass on the merits and the details of the government's proposals in relation to the administrative methods. Altogether too much is being left to be done by order in council and by regulation. The government can almost change the law by regulation.

I venture to say that the regulation relating to the "flying in" of the income tax was never justified by a proper interpretation of the statute, and I am shocked to think that a regulation was passed and a ruling made which would allow that sort of thing to be done. The statute referred to a man's normal employment in the air force, if it was flying or related to flying, but other men get round it by flying 100 hours or so as passengers. That never was the intention of parliament; yet the regulation allows it to be done. No wonder the minister said it was a scandal, and I entirely agree with him.

The regulations should not be made by order in council. They should be brought down here, so that we might have a chance of passing upon them. Parliament is entitled to that. This is a taxing measure, and the crown has no right to tax the subject except by clear and express language. That is a primary principle of law; and the method by which the crown taxes a subject should be the subject of discussion and decision by parliament, not by order in council or by a regulation, drafted by no matter how competent a commissioner of taxation. It is not fair to the subject that it should be done in that way. We as the representatives of the people have a right to protest against that method, and I do so to-night with all the force at my command. Bring down the regulations in the statute; let us have a look at them.

Mr. GIBSON: This section does not authorize the government to amend the tax rate by order in council.

[Mr. R. B. Hanson.]

Mr. HANSON (York-Sunbury): Not the rate.

Mr. GIBSON: It enables the government to determine what portion of the tax should be deducted at the source. The reason for that is this. If it were decided to deduct 100 per cent of the tax payable on any given date or at any given rate of pay, the taxpayer might have more deducted than eventually he would be required to pay.

I should like now to make a statement as to how we propose to handle this collection at the source, because it is a very difficult problem and one that has given us a great deal of concern in working out. Some time ago an interview was held with various groups of employers to find out how it could be best handled from their point of view, and the suggestion was made that only a certain portion of the refundable tax should be collected at the source. Some publicity was given that suggestion, but the statement that came out in the press was not official; no arrangement had been entered into, and it was realized that one problem would be this, that possibly those with higher incomes would not have any refundable portion coming back to them, that they would have exemptions which would equal their refundable portion, so that if we should deduct at the source anything at all in their cases, they would be having taxes withheld from them which they would be entitled to claim as refunds later on, and that would be a hardship on these taxpayers.

The way it is planned to work this out is this. First of all, tables will be prepared showing the various salaries that employees may be receiving, \$12 a week, \$13 a week, \$14 a week, \$15 a week, and so on. Then the table will show what tax a single man would pay per month on that salary; what a married man without children would pay; what a married man with one child would pay, and so on. Then the employer can see exactly what tax must be deducted at the source for each employee. In making up that chart we do not wish to have it show exactly 100 per cent of the tax payable, because it is realized that in some cases the rates of pay may vary during the year, that charitable donations will have to be deducted later on, and so on. Therefore it is proposed that perhaps 95 per cent of the tax-though this is not the definite figurewhich the employer will be required to deduct, will be shown; and that is the amount that is to be determined by the governor in council. This will show what portion of the total tax is to be deducted at the source,

is a rate of 7 per cent. That is now being raised to 10 per cent. Have we done anything else, anything we should not? I think that is all we have done.

Mr. JACKMAN: Last year I presume we changed it so that a man could no longer give away half of his income. If you took your gross income, and took the tax off, you could then give away half your net income. That was changed last year I think, and now it stands that no one can give away even \$500 to a poor relative without its being subject to 10 per cent tax.

Mr. ILSLEY: Surely the hon. member is wrong. Subsection 8 of section 88 is untouched. It starts with these words:

The provisions of this section shall not apply to the following:---

Subparagraph (g) still stands, which is the subparagraph to which the hon. gentleman is referring. Those are not touched. Subsection 8 is not changed at all.

Mr. HANSON (York-Sunbury): What has been changed is the rate on gifts other than those included in the exemptions?

Mr. ILSLEY: Yes, that is right.

Amendment (Mr. Gibson) agreed to.

Resolution as amended agreed to.

25. That commencing after the 31st day of August, 1942, all salaries and wages paid by any employer to residents of, or persons employed in, Canada shall be subject to a deduction at the source of such portions of the taxes authorized herein as may be determined hereafter by the governor in council.

Mr. HARRIS (Danforth): I again protest most vigorously against the dominion or any other authority interfering with an employee's pay envelope. I know this is war time and we have that interference while the war is on, but I want to put on record now that legislation which forces the employer to take from the employee's pay certain moneys not only is annoying to the employee but upsets the whole family status. The wife does not really know what the husband is earning; she is not sure what all the deductions are. We will stand it while this war is on, but we ought to be very careful and regard an employee's pay envelope as something almost sacred. In many cases employees are renting a house or living accommodation from the employer, and something is taken off for rent. Very often carloads of fuel will be brought in, perhaps a little cheaper than the individual could buy it, or at any rate it is easier to finance by having a dollar a week taken off the pay. Then you have pension and superannuation fund deductions, and many institutions have

group insurance arrangements paid in part by the employer and in part by the employee. During the last couple of years we have had the national defence tax. That is now replaced with a combination of national defence tax and income tax, and there is unemployment insurance. The average employee and his family circle are so confused that they do not know where they stand. The good wife has to be almost a chartered accountant to keep track of the husband's earnings. He might be in a better position to filch some pay before he takes it home. We are breaking down that old feeling which many of us who have earned wages and taken home a pay envelope have that this is something which should not be interfered with. I merely want to put this on record for the days to come, so that we may get back to some sound condition in regard to the employment of labour.

Another condition that obtains to-day is this. The line of demarcation where an employee must pay national defence tax is \$23.04 a week. If a man is earning 62½ cents an hour for an eight-hour day, or \$5, you will find employees laying off on Monday. They will work just a sufficient number of hours to reach the taxation point. With labour as scarce as it is at present, there is not much you can do about the matter. You cannot dismiss them. You are short of labour.

They will go farther. This has obtained within the last fortnight. They suggest to the foreman and the foreman to the superintendent, "Why cannot the office just pay me the minimum so that I shall not have to pay tax, and then hand me a bonus afterwards?". That is due to the method we are forced to adopt in order to collect this taxation. I put that on record for the benefit of those who are charged with the administration of the income tax.

Mr. HANSON (York-Sunbury): This resolution provides for the deduction of the income tax on salaries and wages at the source. As the resolution is drafted, the deduction at the source is to be of such portions of the taxes authorized therein as are determined hereafter by the governor in council. I object absolutely to that. It should be specified in the statute, so that we may know exactly what it is, so that employers and employees may know what it is. It should not be juggled around by order in council which may be repealed at a moment's notice and new regulations made.

The hon, member for Danforth has protested about interference with the employees' pay. No employer wants this trouble imposed upon him. The big companies do not. Will the Mr. TUSTIN: Of course that could be done, but I remind the minister that this is July 21 and it will be difficult. I doubt very much if the legislation will be completed by the end of July.

Mr. ILSLEY: The companies have had notice of it since the budget.

Resolution agreed to.

Resolutions 22 and 23 agreed to.

24. That commencing after the 31st day of August, 1942, all dividends and registered interest paid by any debtor so residents of Canada shall be subject to z deduction at the source at the rate of 7 per centum.

Mr. ILSLEY: I have an amendment:

That resolution 24 be amended by adding the following as subsection 2 thereof: "That commencing after the 30th day of

"That commencing after the 30th day of June, 1942, all interest paid or credited by any bank, trust company or other person lawfully empowered to accept money on deposit shall be subject to deduction at the source at the rate of 7 per centum if such interest is equal to the interest on \$100 or more for a full year.

Mr. GIBSON: I so move.

Mr. HANSON (York-Sunbury): Is that not covered by implication in the resolution as it stands?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): This is to make sure that deposits bearing interest with a bank or trust company, shall be treated the same as dividends and registered by the bank.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): An additional source of revenue is being taxed. Do you not now have to include in your income tax all interest received on savings account?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): And pay on it the regular rate you have to pay on your other money?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): This just provides for deduction at the source within certain limitations?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): And if it does not run to \$100 in the full year they do not deduct it?

Mr. ILSLEY: Yes, that is right.

Mr. JACKMAN: By leave of the committee I should like to say a word with regard to section 22. It has been represented to [Mr. Ilsley.] me that there are a large number of people who support relatives or connections who are unable to keep themselves, chiefly old people, and these taxpayers have been in the habit of giving to such persons from \$500 to \$1,000 a year, all of which is subject to income tax. There is a special gift tax, and if you give away \$500 or \$1,000 to anyone it is subject to a tax of 10 per cent. There are a number of well-to-do people who support relatives or old connections of the family and give them \$500 or \$1,000 toward their upkeep. Under this gift tax there is no exemption as formerly. No matter how small the gift is, there is a 10 per cent tax. It is a hardship on a number of people who are already doing what is virtually a charitable act in keeping certain persons off the public relief rolls.

Mr. ILSLEY: I did not know that the exemptions were removed.

Mr. JACKMAN: There used to be exemptions.

Mr. ILSLEY: Yes, but I did not think they were removed.

Mr. JACKMAN: You cannot give away \$500 now.

Mr. ILSLEY: The commissioner tells me that the exemptions of \$1,500 and \$400 are not inappropriate because of the change in the form of the income tax. The deduction is from the tax now instead of from the income. I am not very familiar with it myself, I must admit.

Mr. JACKMAN: I do not know how the circumstances can be met without undue hardship to the donor. Can a well-to-do man support an invalid aunt or some other elderly relative, giving that person \$500 or \$1,000, without being subject to the special gift tax, besides paying income tax on his income? Can he give these old people some money without paying that gift tax as well as the ordinary tax? Formerly a person could, in any one year, give up to half his net income free of tax. Now that is done away with, or is there an allowance for a small amount of money given away to children or other people, without its being subject to the 10 percent tax?

Mr. ILSLEY: Has the hon. gentleman the act before him, section 88? As I read this resolution the schedule of rates which is to be found in section 88 of the Income War Tax Act is repealed, and the schedule found in the resolution is substituted therefor. In the schedule as found in section 88 I find that on gifts up to and including \$5,000 there in order to make a payment in 1942, if he were in a position to prove absolutely to the minister that he has no income this year?

Mr. GIBSON: At the present time the taxpayer is required to file a return and pay a tax on the estimated amount of income of the previous year. That is for the purpose of giving him a basis to work on, so that if he paid up to that amount and it is less in the first two quarters than the tax eventually amounts to, he is not penalized. In the case cited by the hon. member, since there is not going to be any income, the man would not pay any tax, because he knows definitely that there will not be a tax payable. But if he is wrong, and eventually finds that he is taxable, since he has not made payments he will be liable for interest and penalties for not having made his quarterly payments.

Mr. JACKMAN: Would the minister say whether or not he would allow 5 per cent on overpayments in case his estimate is higher than the actuality?

Mr. ILSLEY: No. We cannot do that.

Mr. JACKMAN: I have heard of a few very remarkable cases in the past in the Department of National Revenue, where taxpayers have overpaid the tax they were entitled to pay, and the only offset which the department would give them, after admitting their contention, was that they would keep the amount as a credit against future taxes. That is not the way to do business in this or any other country. In the United States, for instance, you used to be allowed, if you are not still allowed, 6 per cent on overpayments, and if you had underpaid you were charged 6 per cent. The rule worked both ways. Surely the government is not going to charge 5 per cent on an underestimate and refuse to allow 5 per cent on an overestimate. To be fair is not a cardinal sin, though it seems to be regarded as such by the administrations of both finance and revenue.

Mr. ILSLEY: The answer is that that cannot be allowed.

Mr. JACKMAN: The answer is no?

Mr. ILSLEY: Yes, that is the answer. With regard to the statement that the Department of National Revenue refuses to make refunds, and keeps overpayments, I am informed that that is not the case.

Mr. JACKMAN: It has been the case. I heard of another the other day.

Mr. ILSLEY: It may be suggested to the taxpayer, but if the taxpayer says "no, I want my money back", he gets it.

Amendment (Mr. Gibson) agreed to.

Resolution as amended agreed to.

21. That the tax payable by a corporation shall be paid by monthly instalments during the six months immediately prior to the close of its fiscal period and the six months immediately subsequent to the close of its fiscal period.

(a) as to the first six months, one-twelfth of the estimated tax, having regard to the previous or anticipated current year's income, applying the current year's rates ,and

(b) as to the second six months, one-sixth of the tax after deducting therefrom the previous six months' payments having regard to the income, and applying the rates of the taxation year.

This shall be applicable to the tax on profits of fiscal periods ending on and after 31st December, 1942.

Any additional tax found due over that estimated or declared by the taxpayer shall be paid immediately upon assessment, together with interest at 5 per centum, after four months from the close of the fiscal period.

Mr. TUSTIN: Will the minister state how this tax on corporations can be figured out or carried out under the present wording of the resolution? It states that the first six monthly payments shall be paid in the six months before the close of the fiscal year of the company. A great many companies end their fiscal year not later than December 31. We are now near the end of July, and I was wondering how the tax can be figured out.

. Mr. ILSLEY: I did not get the point of the criticism. Will the hon. gentleman state it again?

Mr. TUSTIN: I was not criticizing; I was merely asking a question. Section 21 provides that the tax shall be paid by monthly instalments during the six months immediately prior to the close of the fiscal period, and the six months immediately subsequent to the close of that period. It is now near the end of July, and a great many companies close their fiscal year on December 31 or sooner. How can the tax be worked according to this resolution?

Mr. ILSLEY: The answer will be found in the second last paragraph:

This shall be applicable to the tax on profits of fiscal periods ending on and after 31st December, 1942.

Mr. TUSTIN: But how are you to begin now to make payments, or do payments not start until after December 31?

Mr. ILSLEY: What would be the difficulty about estimating the tax for the year and paying one-twelfth of it at the end of this month?

Mr. TUSTIN: I do not have that clear yet. Am I to understand that the last payment of the six would be made on December 31?

Mr. ILSLEY: Yes.

from the Minister of Finance, the hon. member for Souris and the hon. member for Qu'Appelle will have to fight their own battles.

To change the subject for a moment, may I have an answer to the query I put to the minister with reference to sole proprietorships? On what basis are they to be taxed this fiscal year?

Mr. ILSLEY: I will give the answer to-morrow.

Mr. GIBSON: In answer to the question previously put by the hon. member for Peterborough West (Mr. Fraser), arrangements will be made whereby the taxpayer who shows that he has made payments of insurance premiums and principal payments on a mortgage will be able to reduce his quarterly payments accordingly. That will be worked out by the department.

Mr. FRASER (Peterborough West): That is starting with the first payment, is it?

Mr GIBSON: Starting with the first payment, so that if he estimated that he was entitled to a reduction of the full amount of the refundable tax he would not have to pay any of the refundable portion of his tax with his quarterly payments.

Mr. FRASER (Peterborough West): That is all right, and I think the public will be quite satisfied with that. I asked another question, with regard to the insurance receipts. The reason why I mention that is that many income tax payers who at the present time are paying premiums to insurance companies might not get their insurance receipts, or they might not ask for a duplicate. I therefore believe that the sooner instructions are issued in connection with that, the better it will be not only for the government but for the income tax payer.

Mr. FAIR: I was amused a little while ago to hear the Minister of Finance making fun of the hon. member for Souris, but perhaps if that very small percentage of farmers who will pay the tax could hire lawyers to make up their returns there would not be any of them paying income tax for the past year. I subscribe to the arguments made by the hon. member for Souris and others along the same line. I know. it is impossible in almost all cases for the farmer to make payment before, at the earliest, October 15, because experience has taught us that a large proportion of his purchases is made on credit. People go to machine-shops and get repairs and twine, and to the grocery store and run up grocery bills, and naturally those bills have to be met first. Because the

[Mr. R. B. Hanson.]

farmers have not been given the cost of production, I think the government, who after all are responsible, should not be as hard as the Minister of Finance tells us he is going to be.

Mr. PERLEY: In reply to the Minister of Finance, and having in mind the nice spanking he gave the leader of the opposition and one or two other hon. members on this side, I want it distinctly understood, and I think my reported remarks will bear me out, that I was making a plea, not only for the farmers who happen to be in the income tax list, but generally for business in western Canada. I included all the business men and named various organizations. The minister's statement was not deserved by us. Furthermore, I do not agree, even if only a hundred farmer's paid last year, that we should not put forward their case as well as that of any hundred men in any other part of Canada. I wish, however, to make it quite clear that I was making a plea for business in general in western Canada.

Mr. ROSS (Souris): Did I understand the Minister of Finance to say that there were not more than between one and two hundred farmers who paid income tax in 1941 in Manitoba?

Mr. ILSLEY: No; I said I did not have the figures for 1941. The figures I had were for 1939 or 1940.

Mr. ROSS (Souris): Even if that were correct, I do not think it conveys a true picture. While the minister flatters me in suggesting that probably I got my leader excited, I think he overdid the picture a little, and I should like to follow it through. I represent the business people of my riding and that part of the province as well as the agriculturists, and these business people are called upon to arrange credit for the harvesting of the crops. Many of them will probably have paid income tax also in 1941, and you ask them to file a return and commence paying on October 15. They have to provide some method of financing our farmers to take this crop off, and you are placing an impossible burden upon them. The difficulty applies, not merely to the farmers, but also to business men located in the prairie provinces who supply twine, tractor fuel and other materials necesary for harvesting the crop. I think the matter deserves a little more consideration than the minister has given it.

Mr. QUELCH: I have in mind the position of a grain farmer who may have his total crop destroyed by hail. In western Canada that is quite a common occurrence. Supposing the farmer had paid a small income tax in 1941; would he then have to borrow money

would have to make a twelve-months adjustment, and a very big adjustment, within a period of six months. I said that it was not fair to the taxpayers of this country, after their personal budget had been completed and half a year had gone by and half their expenditures had been made, and half their income had been earned, for the minister then to turn round and impose as onerous a tax as this and expect the taxpayers to step up to the line, go through the whole formula on the dot, and pay taxes very much higher than were thought of the year before. It is only fair that the minister should give consideration to the man who has to dig down and get this money, and the western farmer is in that category. It does not affect the farmers in my part of the country. I only wish they were receiving enough income to pay income tax, because then they would be that much better off and would be making a profit out of their operations. I am pleading for the western farmer who is in a different position and is entitled to consideration, and one of the basic reasons why is the fact that this government delayed bringing down the budget for six full months. They have not yet brought down certain information which we asked for and ought to have in connection with income tax payments. I should like to know just what defaults there are in income tax payments. There will be more if you crowd the taxpayers of this country too hard.

If hon. members will look at this resolution they will see that when the assessment is made it is payable right on the dot. We used to have thirty days after the assessment was made in which to pay our tax, but now it begins to bear interest of five per cent before the assessment actually reaches the taxpayer. He is assessed on one day and the notice is sent out on that day. The interest begins from that day before he actually receives his assessment. That thirtyday provision should be restored. Anybody is entitled to thirty days' credit without interest. This is crowding the willing horse too far, and I protest against it in the name of the taxpayers of this country, and especially in the name of the western farmer. I see hon. members on all sides of the house nodding assent to what I have been saving. The minister should have a heart.

Mr. ILSLEY: When my hon. friend gets violent like this, I have to reply. To begin with, I am very happy to hear that there is such a large number of farmers in the west who had taxable incomes in the year 1941. When I heard the hon. member for Souris talking about his neighbours who are going to be so terribly embarrassed this fall, I remembered that they can be embarrassed only if last year, in 1941, they had taxable incomes.

I have been trying to find out the number of farmers in Manitoba who submitted incometax returns for the year 1941 and have not been able to get it, but a year or two previously the number was from one to twohundred for the whole province, and I would very much doubt, having in mind the speeches I have heard in this house from the hon. gentleman and his hon. friends if there is any considerable number of farmers in Manitoba who had taxable incomes in 1941.

The hon. member for Souris has painted a very pathetic picture and has the leader of the opposition all excited about these wealthy neighbours of his who are going to be embarrassed this fall because it is going to be hard for them to get help, and who are going to have a big crop and a lot of bills to pay, so that they will not be able to get out and pay these big income tax instalments-based on 1941 income, it must be remembered-by October 15. Surely, if the speeches we have heard from all over that side of the house, including the groups in the corner, have presented the facts, this problem is one of infinitesimal dimensions, and I would advise my hon. friends on this side of the house, and others, not to allow this inflammatory appeal of the leader of the opposition to get them too excited, because, after all, it does not amount to much this year. If this year there are a lot of taxable incomes among the farmers of western Canada, and perhaps of eastern Canada; if they are coming into the income tax-paying groups in a big way, and if we find that there is some inconvenience,. then next year we may have to make a change. But I do not want to make an exception in favour of the farmers of western Canada. If I do I shall soon hear from the farmers of eastern Canada, and then therewill be others with equal claims for exceptions to be made in their case. Other occupational groups as well as the farmers, have friends in this house, and they will be coming along too, once this date is pushed back. We need the money. We want to count on its coming in. We want it paid on the 15th day of. October.

Mr. HANSON (York-Sunbury): You want it on the 15th day of October, but the laws of the Medes and Persians are not immutable. A little while ago you changed the date back one month, and as far as I am concerned, I am very thankful for that change. I am afraid after the spanking I have just received be able to get anything by that time, and neither can the farmers. I do not see how it would make much difference to the department or the government if these dates were moved on a month, and it would prove of great assistance to the west.

Mr. ILSLEY: These payments are distributed evenly over the tax year, and it is important from the government's point of view to have these coming in regularly.

Mr. PERLEY: You could extend April and July another month, and conditions would not be any worse than they are now.

Mr. MacNICOL: If a person is paying a quarter of his tax on October 15 and the next date is January 15, he could pay all the remainder on that date if he wished?

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): The minister said that under this item he would let us know what kind of insurance or mortgage receipts the government will require, whether they will have to be in duplicate or triplicate.

Mr. GIBSON: The regulations are to be based upon the resolutions, and the resolutions have not been passed yet.

Mr. SENN: Is there any good reason why the first payment could not be made in January and then the other payments at three month intervals for the rest of the year? If private individuals could put in their income tax returns then, it would save a lot of bookkeeping.

Mr. ILSLEY: The hon. gentleman would understand the reason if he knew how hard it is to keep in funds. We need money, and we need it all the time. We need it regularly, and we need it early rather than late.

Mr. HANSON (York-Sunbury): The point is you want to be able to count on having so many millions on a certain date. No doubt many people are going to be embarrassed in this connection. I think in justice to their constituents the western members who know the situation much better than I do, should support the hon. member for Qu'Appelle (Mr. Perley) and the hon. member for Souris (Mr. Ross). The farmer will be facing a real hardship if he cannot change his crop into money.

Mr. ROSS (Souris): Not only is this going to create an individual hardship, but it will be an impossibility. Any one conversant with the methods of financing the harvesting of crops in the prairie provinces will realize the difficulties. It is very difficult for many [Mr. Perley.] farmers to finance at the banks, and it will be still more difficult this fall on account of the fact that we shall be able to deliver only a small quota at threshing time. In most sections all available space for the storage of grain will be filled.

There is another difficulty created by the fact that the budget was brought down as late as June, in the middle of the year. I know neighbours of mine who have overobligated themselves already for this year's obligations. They have bought equipment and assumed other obligations which it would be very difficult for them to fulfil under normal conditions this year, and now you impose a tax upon them which it will be utterly impossible for many of them to pay on the 15th of October. All the expenses of a grain farmer come in the harvest months-his binder twine, tractor fuel, everything-and our credit is not very good with the dealers in these times. It is a real hardship to arrange finances to take off the crop under normal conditions, and here you impose this tax which the farmers must pay by October 15, by which date most of them will not have completed their harvesting operations and cannot estimate their income. That is not only a hardship, but in the majority of cases it will be utterly impossible for them to pay, and I plead with the minister and his staff to give consideration to them.

I am inclined to agree with the hon. member for Haldimand that the first payment should not be asked for until January 15, when a man can make some estimate of his year's operations. I would go farther than the member for Qu'Appelle and say that the first payment should not be made until January 15.

Did I understand the Minister of National Revenue to say that there were two distinct sets of forms to be filled out, one by the salaried man in September, and one by the business man in March?

Mr. GIBSON: Yes.

Mr. ROSS (Souris): Then there should be a distinct division made in the matter of payments too, because I repeat it will be an utter impossibility for many of the farmers to make payment on October 15, and I plead with the minister to give consideration to the agriculturists of this country who will be placed in an impossible situation if this resolution goes through as it stands.

Mr. HANSON (York-Sunbury): The minister brought down his budget on June 23. On June 30, I replied, and pointed out that he had delayed bringing down the budget for a period of six months; that half the calendar year and half the fiscal year of most people had expired, and that in consequence people

Income War Tax Act

here. I believe the Department of National Revenue will have to give the matter some consideration.

Mr. FRASER (Peterborough West): I think practically every hon. member has received from one to twenty letters dealing with this point. Something should be done about it at once, because the people are worried. This is a very drastic tax. The people are willing to pay it, but they want to pay it in the easiest possible way, so that they may not be affected any more than is necessary.

Mr. GIBSON: The hon. member has mentioned the case of a man in receipt of an income of \$2,000. Apparently this would be a married man without dependents, whose tax would amount to \$231 with the refundable portion amounting to \$200, making a total tax of \$431. The hon. member asked if a man turning in insurance premium receipts totalling \$200 would then pay only on the balance of the non-refundable tax, which would be \$231. When the man makes his first payment on October 15 he cannot say definitely that his income is going to be \$2,000, or we cannot expect definitely that that will be his income for the year. Consequently we do not know what the refundable portion of his tax will amount to. If we made an estimate in October we might overassess what the refundable portion of the tax would be.

Mr. HANSON (York-Sunbury): The minister said, "having regard to the previous year's income".

Mr. GIBSON: That is the basis for working out what he will pay in the first two periods, but we would hardly be justified in accepting that sum for rebate purposes until we knew what his income for the year will be. A great many incomes vary considerably from year to year.

Mr. SENN: I think there is a good deal of merit in the contention raised by the hon. member for Peterborough West (Mr. Fraser). I have a suggestion to make that might obviate all the difficulty, although it would mean a delay of three months in making the first payment. I see no reason why the income tax return should not be made out on January 15 for the year previous and then there would be no difficulty about estimating the whole thing. Here we have four payments made before the income tax return is submitted. If you were to delay the first payment for three months you would be able to have the income tax return properly made out, and there would be no difficulty about making adjustments.

Mr. GIBSON: While the income tax return does not need to be in until March 31, probably in a great many cases it will be filed with the January payment. I think a great many taxpayers will know their previous year's income at that time.

Mr. HANSON (York-Sunbury): Is there a provision that it must be in by March 31?

Mr. ILSLEY: In the case of those making four payments. In the case of those who have deductions made monthly or weekly, the return may be put off until September 30.

Mr. HANSON (York-Sunbury): It does not say that.

Mr. BERTRAND (Prescott): The final return will be made on March 31, just as it was last year?

Mr. GIBSON: In respect of the cases where 75 per cent of the income comes from salary or wages and deduction is made at the source, the returns are made later in the year. Those who are not getting 75 per cent of their income from salaries or wages will fill out their forms as heretofore, on March 31.

Mr. BERTRAND (Prescott): Is the refundable portion of the tax to be payable only at the end of the year?

Mr. GIBSON: No.

Mr. WRIGHT: I find myself in agreement with the hon. member for Peterborough West (Mr. Fraser) with regard to what he has said about the refundable portion. What will happen will be that the taxpayer will not be able to meet his insurance premiums until the government makes the refund, probably at the end of the year. He will have to let his policy lapse until that time and pay interest to the insurance or mortgage company. If you cannot allow full exemption, I think you should allow a percentage of the exemption. I know in some cases there is going to be a real hardship in meeting insurance and mortgage payments and the income tax in the first few months.

Mr. PERLEY: I want to make another appeal to the minister to change the dates to November 15 and February 15. Merchants, lawyers, doctors, in fact the whole business community in western Canada are affected, because they are waiting for the returns from agriculture. They cannot possibly make a return until the farmer has paid for his new machinery and other expenses. This year it is practically all on a cash basis; at least 50 per cent cash has to be paid and then the remainder later in the fall. This affects not only the farmer but the whole business community. The merchants will not has to pay \$50 in addition. Then he has to wait until such time as the government refunds that extra \$50. In other words, the governments holds up that money until it is ready to return it.

Mr. HANSON (York-Sunbury): Let me understand this. Supposing the refundable portion of the tax I must pay the government amounts to \$1,000. Do I understand that it may be the case that I shall have to pay that amount to the government in four quarterly instalments of \$250 each, along with my other taxes, and wait until September, until I file my final return, for that refund, if I am able to show a bona fide payment of \$1,000 in insurance premiums?

Mr. ILSLEY: I think it will be either one of the plans I have mentioned.

Mr. HANSON (York-Sunbury): The plan I have suggested would be the hardest, would it not?

Mr. ILSLEY: Yes, that would be the hardest.

Mr. HANSON (York-Sunbury): If I can satisfy the department that I paid life insurance premiums amounting to \$1,000 in the calendar year 1942, which will be my taxable period, and can submit official receipts showing payment of \$250, say on October 15, \$250 the following quarter, \$250 for the third quarter and \$250 for the fourth quarter, or more, why should the department not accept that indisputable evidence, so that I shall not have to put up any money, instead of forcing me to pay the money to the government? Why should the taxpayer not get a little break in this matter? That would not be attempting to take anything away from the government; it is just what the statute will call for. I would have no difficulty, as many others would have no difficulty, in furnishing insurance premium receipts to cover each quarterly payment of my deductible portion. It seems to me that would be eminently fair. Of course, if the department would not accept that evidence, I would have to bolster it up with proper evidence from the company.

Then there is another point. I believe the minister's reply to me was based on the use of the words "having regard to the previous year's income and applying the current year's rates." I assume that was the basis of his statement, that you would pay these two instalments on the basis of the 1941 tax, applying the current year's rates. But let me point out this anomalous position. If my memory serves me aright, in 1940 members of parliament received \$5,100, whereas in 1941 they received only \$2,900, less the national defence [Mr. G. K. Fraser.] tax. This year we shall have to pay on an additional \$1,100, on \$4,000 in addition to our other income. Unless we make some allowance for that \$1,100, we shall not be paying 25 per cent in the first instalment of this year's taxes, based on last year's income. I do not know how you are going to work that out. I am just directing the point to the attention of the minister and his officials, though no doubt they are more thoroughly aware of the problem than I am.

Then there is one other thing, and I am not going to labour this any farther. I should like the minister to explain the position in which sole proprietorships will find themselves under this resolution. For example, if the fiscal period of a sole proprietorship ended on the 31st day of January, 1942, under what taxation rates will he be taxable, the 1941 rates or the 1942 rates, or will there be an apportionment of eleven months at the 1941 rates and one month at the 1942 rates? My understanding is that the normal rule is that sole proprietorships are taxable under the rates for the taxable year in which their fiscal period ends. I think that is right. If that is the case, it would mean, under the example I have given, that the sole proprietorship would be taxed in respect of eleven months of 1941 at the very steeply increased 1942 rates. If such is the case, it would appear to me rather an intolerable position for a sole proprietor, and I believe some formula must be worked out under which justice would be done him in the premises. I am going to place that on the record, so if an answer cannot be given immediately the matter can be considered. I have no doubt there are innumerable problems of a like nature which will arise under these resolutions, and which will have to be studied.

Mr. FRASER (Peterborough West): I think we should have this matter straight, that we should find out just what is the position. If a man has to pay the tax plus the refundable portion on October 15, and in addition look after his other payments, and then wait until the end of the following year before getting any refund, in the case I mentioned he will pay the government \$431, the whole tax, plus the \$200 he will have to pay the insurance company, or a total of \$631, and he cannot afford to do that. I have sent a note to the minister outlining my suggestion, and I do not see why the government could not follow it, because it would not cost one cent. The government will get part of the tax anyway.

Mr. ILSLEY: I do not think any administrative decision on the point could be made off the crop. I shall be surprised if many of us are not trying to harvest our crop this fall when the snow is on the ground. When the crop is harvested we shall be able to market only a small percentage. The latest maps issued for the three prairie provinces show a prospect of a very large crop at every marketing centre in the three provinces, which is most unusual. Probably not since 1915 have we had such prospects for a big crop. This is going to create an impossible situation on the prairies. I trust the minister will be able to do something about the first payment at least.

Mr. HANSON (York-Sunbury): How does the minister think it possible for any taxpayer, and especially a farmer, to reckon his 1942 income as early as October 15? How can I reckon what my income will be for the full year as early in the fall as that? It is not fair.

Mr. GIBSON: The tax is reckoned on the income of the previous year at the new rate. The two payments are made on that basis. Then in January—

Mr. HANSON (York-Sunbury): It is the same formula as last year, with the difference in date?

Mr. GIBSON: It is figured on the same income as last year, with the new rates applied. Then, in the new year the correct income for the previous year is definitely ascertained, and the final two payments made of one-half the remaining tax payable.

Mr. FRASER (Peterborough West): Suppose a man has an income of \$2,000, and the refundable part of the tax is \$200. He is a married man with no children. When the first payment is due he has paid premiums and has receipts for them to the amount of \$200. Can he turn them in at that time, or does he have to extend them throughout the year? Can he discharge the whole refundable part of his tax by putting in those receipts at that time? He would, of course, have to pay the rest of the tax, which is \$231. Most of the year would be up at that time, and he might have receipts not only for his insurance but perhaps for any payments on mortgages, medical expenses, et cetera. If he could turn them in at that time, it would be a great help, whereas if he could set off only a proportion and had to pay part of the compulsory saving, it would mean a double payment.

Mr. GIBSON: That would mean that the taxpayer would not be paying one-quarter of the tax in the first quarter or one-half in the first half-year. The department would not have the proper proportion of the tax in those first two periods.

Mr. FRASER (Peterborough West): Not if the man handed in receipts for \$200 and, in addition, paid the proportion of the normal and graduated tax which would be \$231?

Mr. GIBSON: It is difficult to follow the case the hon. member puts. I gather his suggestion is that the amount that can be deducted should be deducted from the earlier payments.

Mr. FRASER (Peterborough West): Yes.

Mr. GIBSON: That would mean a much smaller tax payable in the first periods if he took his total deduction in the first periods and left none for the last two periods.

Mr. FRASER (Peterborough West): The man would have no payment to make on his compulsory savings in the last periods anyhow, because his insurance receipts would cover it. The government would get nothing but the receipts plus the proportion of the normal and graduated tax.

Mr. ILSLEY: Let me state what I think the hon. member said, and let him correct me if I am wrong. He is thinking of a taxpayer who pays in four quarterly instalments beginning October 15. By that time the taxpayer has in his possession receipts evidencing payment of life insurance premiums or instalments of principal on a mortgage or something of the kind which make up in amount the total instalment. The question is whether the department will accept those receipts instead of the money in payment of that instalment. Is that it?

Mr. FRASER (Peterborough West): That is what I mean.

Mr. ILSLEY: That is a matter for the Department of National Revenue, but I should think their practice would be something like this, that they would refuse to take anything but cash in that year, that October; that when the year ends, in January, they could adopt either one of two courses of action. Either they spread the receipts evenly over the three remaining instalments, because then they would know exactly what offsets the taxpayer was entitled to, or they could take the alternative course of compelling payment in cash until the non-refundable part of the tax was paid in full, and after that take receipts. Which course they would take I do not know, but I should think it would be one or the other.

Mr. FRASER (Peterborough West): If the government does not take the receipts on the first payment on October 15, it means that the taxpayer not only has to pay his insurance premium during the present year, but ion of Canada 2 per cent, and that every mutual company shall pay to the minister a tax of 4 per cent? What is the reason for the apparent difference in the rates?

Mr. ILSLEY: Probably the best reason, although there may be others, is that in effect the business of Lloyd's is consolidated for the purpose of determining whether they make profits in Canada or not. There is no other way of doing it. Lloyd's organization is a unique organization.

Mr. HANSON (York-Sunbury): It is just an association.

Mr. ILSLEY: It is an association, and yet there is no joint liability. When one is insured by Lloyd's he is not insured by a group of insurers operating or acting jointly; he has a large number of contracts, each with a large number of individuals.

Mr. JACKMAN: Syndicates.

Mr. ILSLEY: Some of these individuals are operating at a loss and some at a profit. In determining whether the whole of them are operating at a loss or at a profit in the country, naturally the operations of all must be consolidated. That is a great advantage for taxation purposes.

Mr. JACKMAN: The government do not share in losses. Do Lloyd's consolidate all their profits and losses on Canadian business, or is it the total of these syndicates in England who operate also in Canada?

Mr. ILSLEY: The question is whether they consolidated their business.

Mr. JACKMAN: This is a tax imposed on Lloyd's at a slightly higher rate than on Canadian companies, because their business is considered as a whole, not the individual syndicates which may operate in Canada, some of which may show a profit, some a loss. Is it possible to take a consolidated picture of the business of Lloyd's in Canada?

Mr. ILSLEY: That is right for income tax purposes, but here we are talking about a tax on premiums. The advantage to the company, to the insurers as a whole, lies in the fact that for income tax purposes you consolidate their business. There is no way to come at them one by one. You have to consolidate their Canadian business and determine income tax in accordance with the net result, which is a great advantage to the company that justifies a disadvantage on the premium tax.

Mr. DIEFENBAKER: How does the consolidation justify the charging of a higher rate? If these were individual companies, how would the position of the government be improved?

Mr. ILSLEY: The consolidation very materially minimizes their income tax liability. If the premium tax were the same as that of other companies, and their income tax were minimized by this peculiar arrangement of theirs, they would have an advantage over competitors.

Mr. DIEFENBAKER: In England are they charged a higher tax than others?

Mr. ILSLEY: I do not know.

Mr. DIEFENBAKER: Does this not look like discrimination against Lloyd's?

Mr. ILSLEY: It may to them. It is open to argument, no doubt.

Mr. DIEFENBAKER: This is all very well from the point of view of the minister, but from the point of view of equality before the law, where is there any justification for picking them out for different treatment?

Mr. ILSLEY: That is what I have been explaining.

Mr. DIEFENBAKER: Does the minister admit that it is not a good principle that one organization should receive one treatment and another a different treatment?

Mr. ILSLEY: I do not know what principle the hon. member is trying to get me to subscribe to.

Mr. HANSON (York-Sunbury): He is stating the general principle of equality of treatment.

Mr. ILSLEY: Equality of treatment is a right principle, but there would be no equality of treatment between Lloyd's and their competitors in Canada if their competitors cannot consolidate and Lloyd's can, because the consolidation of the business of a hundred insurers so that the losses of one offset the profits of another minimizes very materially the income tax liability of those insurers. Therefore you have the competitors of Lloyd's paying income tax on a less advantageous basis than Lloyd's. We contend that it is fair that Lloyd's should pay premium tax on a less advantageous basis than others.

Mr. DIEFENBAKER: The attitude taken by the government, then, is that for the advantage of Lloyd's competitors, and in order to secure equality of competition, this tax is being imposed?

Mr. ILSLEY: To secure equality of competition, yes.

Special War Revenue Act

Mr. DIEFENBAKER: Surely there is no justification for this government undertaking to assure equality of competition between private organizations by means of a tax—

Mr. ILSLEY: What does the hon. gentleman mean by "equality of competition?" I agreed to that before I understood what he meant.

Mr. DIEFENBAKER: It was exactly the purport of what the minister said. He said Lloyd's had an unfair advantage over other companies in the matter of competition.

Mr. ILSLEY: In the matter of income tax.

Mr. DIEFENBAKER: No, "competition" was the word used by the minister.

Mr. ILSLEY: No; my whole argument is that income tax is imposed on Lloyd's on a more favourable basis than on their competitors in Canada, and conversely the premium tax is higher on Lloyd's than on their competitors.

Mr. JACKMAN: I might agree with the minister if he can answer in the affirmative the question I am about to put. The effect of this consolidation which Lloyd's are allowed is that some syndicates may lose money and others may make money, but the government shares only in the profits, not the losses? And just as a company pays a 2 per cent higher rate on a consolidated return, so the government is trying to make the same difference here. But if it is a fact that there are few if any losses by insurance companies in Canada, it would seem that the imposition of a higher rate on Lloyd's merely because they consolidate may be very unfair, and not lead to equality of competition. Do any insurance companies in Canada operate at a loss?

Mr. ILSLEY: Is the hon. member asking whether Lloyd's do?

Mr. JACKMAN: No. The minister is assessing Lloyd's a higher tax than other companies by reason of their consolidating their returns. If there are no losing companies in the consolidated picture, then there is no advantage gained by the consolidation.

Mr. ILSLEY: The hon. member means the consolidated insurers, not companies?

Mr. JACKMAN: Syndicates.

Mr. ILSLEY: Well, syndicates, yes. They are individuals, as I understand. A Lloyd's policy is a document signed by a large number of persons, each of whom obligates himself to assume a certain part of the loss. If there are one hundred insurers there are really one hundred contracts. The hon. member asks, do any of those—

[Mr. Ilsley.]

Mr. JACKMAN: There is no advantage in a consolidated return unless some subsidiaries or individuals in the consolidation lose money—losses, of course, are not taxable —and certain others have profits against which the losses of the others would be an offset. In a consolidated company return the advantage is that there may be a subsidiary which is losing money, and to make a consolidated return they must pay 2 per cent higher corporate income tax. If there are no Canadian companies, or if the number is not substantial, that lose money, I think Lloyd's are discriminated against.

Mr. ILSLEY: I think the hon. gentleman's argument is fallacious. I do not think the determining factor is whether the Canadian companies, any of them, lose money or not. I do not know whether they do or not, I suspect they do. I think I know of one that has lost money, but I am not sure. But that is not the determining factor. The determining factor is whether if Lloyd's were taxed on the same basis as the others, that is, each insurer taxed individually, that would mean that Lloyd's as a group were paying considerably more tax than otherwise. By the system we have adopted they are paying less taxes than they otherwise would, or no taxes. We are just treating them differently from the other companies.

Mr. DIEFENBAKER: What is the justification for putting a tax of 4 per cent on mutual companies as provided in subsection 3? This looks very much as though the advantage that came to the insured through insuring in mutual companies and Lloyd's is now to be denied, or prevented as much as possible, by the imposition of heavier taxation.

Mr. ILSLEY: We have not gone into it exhaustively, although there has been considerable discussion as to the justice of the pre-existing difference in rates. The factory mutual and reciprocal exchanges have had their premiums taxed at 2 per cent as compared with 1 per cent for the stock companies and mutual companies generally in Canada. This does not apply to mutual companies generally; which is a very limited class of companies, taking in the reciprocal exchanges and the New England factory mutuals. For a long time there has been a difference in the rate imposed on their premiums as compared with the rate imposed on the premiums paid the ordinary Canadian mutuals and stock companies.

Mr. DIEFENBAKER: What has been the difference up to the present?

Mr. ILSLEY: It has been 2 per cent for the reciprocals and factory mutuals and

Special War Revenue Act

1 per cent for the others. Now we are adding 2 per cent in the one case and 1 per cent in the other.

Mr. DIEFENBAKER: You have simply doubled it. Is there justification for penalizing companies who pass on to their insured the advantage of the savings they make, companies such as the mutuals and the Lloyd's syndicate, by placing upon them heavier taxation than is placed upon ordinary joint stock companies? The advantages of the savings generally are passed on to the insured. What justification is there for a government taxing agency penalizing institutions of that kind? -because they are penalized when they are required to pay heavier taxation than is paid by joint stock companies. On the one hand the company that operates purely on a joint stock basis has to pay a certain tax, but as soon as a mutual company is formed for the advantage of its policyholders, then it has to pay a tax which is immeasurably heavier. There must be some justification other than that given by the minister.

Mr. ILSLEY: That is not correct. The hon. gentleman is speaking as though mutuals, the sort of mutuals we think of here—

Mr. DIEFENBAKER: I am thinking of the mutual companies which charge a certain premium and then, at the end of the year, when it is ascertained what the losses are, a benefit is given to all insured. That is the type of company covered here, is it not?

Mr. ILSLEY: The ordinary mutuals are not covered.

Mr. DIEFENBAKER: But what about this company that is taxed 4 per cent?

Mr. ILSLEY: Those are limited, I feel sure, to the factory mutuals and the reciprocal exchanges, and that is a very limited class of companies. They have a peculiar set-up. I have heard and participated in arguments by the hour, not with them but about them, as to whether there is a difference and whether the difference does justify this difference in rate. It has been there since early in the thirties, I believe, or at any rate for a number of years.

Mr. DIEFENBAKER: Were the companies represented in the arguments?

Mr. ILSLEY: No, they were not.

Mr. DIEFENBAKER: Of course not.

Mr. ILSLEY: Whatever I say, my hon. friend is going to have it that the mutuals are taxed at a higher rate than the stock companies. That is what he is going to say, and apparently I cannot stop him from doing

44561-293

so. But that is not so with regard to any but a very small proportion of the mutual company business, the New England factory mutuals and the reciprocal exchanges, who have an entirely different way of operating from the ordinary mutuals in Canada, who are taxed on the same basis as the stock companies.

Mr. NICHOLSON: In spite of what the minister says, the hon. member for Lake Centre has made a point which this committee should consider. Regardless of how few companies are operating on this particular premium deposit plan, they are carrying on under the mutual idea, and I think taxation of this sort is discriminatory. I do not see any reason why a government department should take sides as between various types of companies competing for various kinds of insurance. I think the hon, member for Lake Centre has made a case which should be considered by this committee.

Mr. ILSLEY: If the superintendent of insurance were here to argue the case he would point out that the item subject to the tax is a different item in the balance sheets of the factory mutuals and the reciprocal exchanges from that of the joint stock companies. I have heard the validity of that distinction disputed—certainly it is disputed by the reciprocal exchanges and the factory mutuals—but I have also heard it stoutly upheld. After hearing considerable argument on the matter I decided to leave it exactly as it has been in the past and not to precipitate myself into a dispute of that kind in an effort to correct a situation which has existed for a good many years.

Mr. HANSON (York-Sunbury): I had occasion, almost twenty years ago, to look into the case of these New England mutuals. In our part of the country they carry a good deal of the insurance on our factories and mills, or they did; I have not been familiar with the matter during the last few years. I came to the conclusion that they provided the cheapest and most effective form of insurance that any industrial concern could operate under, and I have no doubt that is true. The old line companies will combat that idea, but the advent of these mutuals into the field, in New Brunswick at all events, had the effect of bringing down rates to an astonishing degree. It was simply surprising what the old line companies offered to continue the business for, but even then the factory mutuals could and did underbid them and obtained a good deal of the business. This seems to be just an opportunity to impose a tax upon people who are providing a service at a very

REVISED EDITION

low rate. Is this wholly in the interests of revenue, or is this another balancing feat, as was the case in connection with Lloyd's?

Mr. ILSLEY: This is an adherence to the status quo; this is a Conservative act.

Mr. HANSON (York-Sunbury): That sounds very good, an adherence to the status quo; that is very high sounding, but it does not mean much to the ordinary layman who does not know a great deal about the insurance law. I wonder if, because these companies provide very low cost insurance, the minister or some genius in the Department of Finance has not seized the opportunity to say, "Well, here is a place where we can jack them up." And it is suggested to me that possibly this might be inspired by rival interests, in the hope of putting these people out of business in Canada, but of course they cannot do that.

Mr. ILSLEY: The inspiration came a good many years ago, then.

Mr. HANSON (York-Sunbury): That may be true.

Mr. LOCKHART: Could it not be corrected now?

Mr. DIEFENBAKER: The inspiration could not have come so very long ago, because Lloyd's have not been operating in Canada for very long.

Mr. ILSLEY: Since 1932 or 1933, I believe. But I am not talking about Lloyd's at all, and neither was the leader of the opposition.

Mr. DIEFENBAKER: I should like to know whether this is an equalization of tariff in order to equalize competition between these companies, or whether it is for revenue. If it is for revenue, it means that those in this country who are insured in these mutual companies, operating under the system outlined in subsection 4 of section 14, will have to pay more for their insurance than they have paid heretofore. In other words there is a discrimination against people who choose to insure with mutual companies.

Mr. ILSLEY: That is not correct. There is no increase in the tax imposed.

Mr. DIEFENBAKER: Well, the old rate was 2 per cent and the new rate is—

Mr. ILSLEY: Four per cent.

Mr. DIEFENBAKER: The old rate applying to companies under subsection 14 was 1 per cent and is now 2 per cent. In other words, in one case you are increasing the tax by 1 per cent and in the other you are increasing it by 2 per cent.

[Mr. R. B. Hanson.]

Mr. ILSLEY: Yes, and there is an answer to that. The increase from 1 per cent to 2 per cent is on the stock companies, is it not? That is the argument, that we favoured stock companies being increased one, as against two?

Mr. DIEFENBAKER: That is not the same increase.

Mr. ILSLEY: It just shows how cocksure a person can be who does not know all the facts.

Mr. DIEFENBAKER: The minister can speak with authority on that, so far as this section is concerned.

Mr. ILSLEY: I wish to say what happened there. With regard to the stock companies there was a provision before that the premium tax should be subtracted from the income tax. Now it cannot be. So that the 1 per cent is paid in increased income tax for every company that makes a profit. In that way the position is equalized. It is an increase of 2 per cent, only the other 1 per cent comes in increased income tax.

Mr. MacNICOL: How much extra revenue will accrue from the additional 2 per cent?

Mr. GIBSON: The increase in the full year would be \$250,000, and for the remainder of the year \$190,000.

Section agreed to.

Sections 6 to 9 inclusive agreed to.

On section 10-Returns.

Mr. FRASER (Peterborough West): Should the expression "every telegraph operator" be worded in that way?

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): That means that in an office where there might be half a dozen operators, each one would have to make a return.

Mr. GIBSON: It does not mean every telegrapher. It means the operator of an office.

Mr. HANSON (York-Sunbury): There are only two operating companies. The minister is going to adhere to this telephone tax, is he?

Mr. ILSLEY: I am afraid I shall have to.

Mr. JACKMAN: It is too bad. This tax on telephone extensions is so small it is not worth bothering about. It is one of those things which annoy people, and it falls on people in brackets which are surely caught adequately enough by the ordinary tax. It yields very little revenue, and perhaps does not cost the individual very much. Surely the minister is catching sufficiently that class in the higher personal income tax brackets without making this small imposition. It is so trivial it is not worth bothering about, but it just keeps people from giving their whole hearted support to the budget and doing everything they possibly can to help the minister, rather than find ways and means of getting around certain provisions and perhaps defeating the main purpose the minister has in mind. I do think it would be better if he would not throw out these little barbs which draw blood, which do not amount to anything, but which make people feel inclined not to help the minister.

Mr. HANSON (York-Sunbury): A tax like this has a psychological effect which will operate against the government's budget. People who are called upon to pay 25 cents a month on telephone extensions are the people who are not only caught but are soaked in the drag-nets. This is going to have the effect of increasing their wrath, and it will be reflected in their lack of cooperation and their disposition not to buy war bonds and war savings certificates. They will say: The government is taking it out of me right and left, fore and aft; why should I buy any more war savings certificates? I have heard that time and again, and no doubt 1 will hear it again when I go home. The minister will hear it too, and his war savings committee are going to hear about it. If the minister would give in on this one minor point it would show a little flexibility, and it would be appreciated by the people. No doubt they would say, "Well, he is not so hard-hearted after all."

Mr. NICHOLSON: I take exception to the observations of the leader of the opposition and the hon. member for Rosedale. It seems to me that the minister should not give way, because those who are going to be taxed are people who can still make a great many adjustments in their way of living, without any serious change in their standard of living.

Section agreed to.

On section 11—Record of telephone extension, dispatches or calls.

Mr. FRASER (Peterborough West): I would ask the same question about the expression "Such telegraph and telephone operator." Then, section 12 sets a penalty not exceeding \$1,000. Going back to section 9 we find reference to "such telegraph operator" and so on. I suggest the section is not very clear, and that the word "company" should be used.

Mr. GIBSON: If the hon. member will read the definitions in the act of "telegraph 44561-2933

operator" and "telephone operator," I believe the point will be clear in his mind.

Section agreed to.

On section 13—Tax on railway, vessel, bus and aircraft tickets or right of transportation.

Mr. MacNICOL: I notice the rates have been materially increased on aircraft travel in the northwest. Until recently there were a number of private lines up there, but I understand that now one of the big transportation companies is in control. The placing of a tax on air travel in the northwest, in addition to the increase of rates, will interfere with air traffic from Edmonton to the northwest territories. I have been in that district, and I am going up there again this summer, and I can understand what a difference I shall have to pay this year as compared with last year.

Mr. ILSLEY: Just 5 per cent.

Mr. MacNICOL: But that is applied to the new and higher rates. Aircraft companies have greatly increased their rates.

Mr. NICHOLSON: I notice that the tax on pullman or parlour car seats is to be 15 cents. Surely this must be regarded as a luxury tax. Pullman or parlour cars operate only on trains which carry air-conditioned cars and equipment of the kind. I believe pullman travel must be considered a luxury.

Mr. MacNICOL: It is not a luxury; it is a necessity.

Mr. NICHOLSON: It may be a necessity for those who can afford to pay it, but my submission is that pullman travel is in the luxury class. The tremendous strain on railway facilities in connection with war industries should give all hon. members cause for careful consideration. A pullman or parlour car seat costing \$2 will carry a tax at the rate of $7\frac{1}{2}$ per cent. If the pullman seat costs \$5 the 15 cent tax brings it down to a very low rate. Would the minister tell the committee why the pullman or parlour car seat tax was not placed on a percentage basis, the same as the tax on sleepers and tickets?

Mr. ILSLEY: I think the answer is that no one ever pays \$5 for a chair car seat, to go anywhere.

Mr. HANSON (York-Sunbury): The hon. member is confusing pullman seats and sleeping car accommodation. You cannot pay as much as \$5 for a seat; they will not sell it to you. You would have to take a berth.

Mr. NICHOLSON: You can pay \$1. It should be on the percentage basis.

Mr. ILSLEY: We would lose a tremendous revenue—perhaps I should not say "tremendous", because the total is not that great—if we did that.

Mr. NICHOLSON: This is a discriminatory taxation. The minister is allowing those who are using this luxury form of travel to get away on a percentage less than the people who buy tickets.

Mr. ILSLEY: It is more in practically every case.

Mr. NICHOLSON: It should be on a percentage basis, with a minimum of 15 cents. A chair car ticket from Toronto to Ottawa would give you this percentage. A chair from Melville to Winnipeg costs \$1.60, so that this would give you less than 10 per cent.

Mr. ILSLEY: I am not critical of the hon. member for his suggestion, because his approach to many of these matters is very much like my own. I do not think the revenue or any advantage which would be derived from the change would be worth the inconvenience. Chairs are bought for short distances, and a tax of 15 cents is easy to administer. It will not mean that conductors will have to go round with their pockets full of coppers. Theoretically we would get more money from the tax the hon. gentleman suggests, but this would then be a case where the observation of the hon. member for Rosedale (Mr. Jackman) would apply; it would be an inconvenient and irritating tax that would not yield much of anything. People would have to be making odd change for that particular purpose.

Mr. HANSON (York-Sunbury): There is one part of this section which demonstrates that while the minister is not willing very often to listen to arguments from this side of the house, apparently he has been convinced that he was wrong last year on one matter. There is now an overriding proviso which reads:

Provided that the tax imposed by this section shall not apply on the charge for a ticket or right of transportation, if the regular one-way charge for such ticket or right to any place in or outside of Canada is 75 cents or less.

This matter was argued quite strongly last year, but the proviso was kept at 50 cents on the theory that there never was a commuter who had to pay 75 cents. The minister has raised the limit, which is one way of admitting that he was wrong, which he does not often do.

Mr. JACKMAN: I am glad to see this raised from 50 to 75 cents. Both the minister and the Minister of National Revenue replied to my argument last year that no commuter who lived just outside the city and came to

[Mr. Nicholson.]

work every day paid 75 cents—it was not possible. I gave them examples, and apparently they find that it is possible. If a commuter buys a book of tickets, the 75 cent exemption is determined by the price of the individual fare. This creates a hardship, because you get a substantial discount when you buy a book of tickets. It brings up the general principle which I find in many places in this budget. There is too little acquaintance with the problems of the people of Canada. There is too much thinking in what is sometimes referred to as the ivory tower.

Mr. HANSON (York-Sunbury): The bureaucratic mind.

Mr. JACKMAN: They do not seem to be acquainted with the real problems of the people. There are several other changes which the minister has made to which I may have a chance to refer, changes which were strenuously argued for last year and refused by the minister. As the minister knows, there is very little of a critical nature in suggestions made in regard to budget proposals. The suggestions we made are for the most part based on experience, and I do wish the minister would give a little kinder reception to those that are advanced.

Section agreed to.

Sections 14 to 17 inclusive agreed to.

On section 18—Cigarettes and manufactured tobacco to be in packages.

Mr. HANSON (York-Sunbury): This is new, is it not?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): How much is it expected will be received in revenue under this new tax?

Mr. GIBSON: It is estimated the revenue for the full year will be \$17,600,000; for the remainder of the year, \$13,200,000.

Mr. HANSON (York-Sunbury): This section is all new?

Mr. GIBSON: It is new.

Mr. HANSON (York-Sunbury): It reads:

All cigarettes or manufactured tobacco, whether imported or manufactured in Canada, shall, before they are offered for sale or are removed from the custody of the proper customs officer for sale or consumption, be put up and prepared in such packages as may be prescribed by regulations made under this act, unless they are imported in such packages.

Do we not have another provision with respect to the putting up of cigarettes in packages?

Mr. GIBSON: Under the Excise Act.

Mr. HANSON (York-Sunbury): Subsection 2 imposes an excise tax on cigarettes of the same type as are referred to in subsection 1. Is this a double tax?

Mr. GIBSON: The present tax under the Excise Act is \$6 per thousand, and the tax under the Special War Revenue Act amounts to an additional \$2 per thousand.

Mr. HANSON (York-Sunbury): You are giving them two jolts, so to speak.

Mr. JACKMAN: Why was there a change in the method of taxation? Why did you not raise the excise tax \$2?

Mr. ILSLEY: That was dealt with in the resolution.

Mr. JACKMAN: Stock in hand?

Mr. ILSLEY: No, it applies only to manufacturer's stock at the time the resolution was passed. The old tax goes into the price for price ceiling purposes, and the new tax does not.

Section agreed to.

On section 19-Proviso.

Mr. JACKMAN: I think this is the section the leader of the opposition referred to a moment ago. I have heard of several cases where people are purchasing articles on the instalment plan which will be taxable under this new provision. In one case a young woman was buying a set of silver for her hope chest, and she had only one more payment to make. When she went to pay it she found she was being assessed 25 per cent more because of this new tax. I presume it is a case of administrative difficulty, but is there no way in which such cases could be dealt with?

Mr. ILSLEY: Could this not be discussed under schedule VI?

Section agreed to.

On section 20—Collection of tax upon sugar content of goods imported.

Mr. HANSON (York-Sunbury): What is the change here?

Mr. GIBSON: We are removing the superfluous words which gave the rates of the tax on sugar. The rates are set out in schedule II and need not be repeated in the body of the act because the act itself would then have to be amended every time a change was made in the schedule.

Section agreed to.

Sections 21 to 25 inclusive agreed to.

On section 26-Repeal of sales tax on furs.

Mr. NICHOLSON: Why is the sales tax being repealed?

Mr. ILSLEY: Its place is taken by the new tax.

Section agreed to.

Sections 27 to 30 inclusive agreed to.

On section 31-Certificate of default to be registered as judgment.

Mr. HANSON (York-Sunbury): This is a type of clause that has crept into legislation in the provinces. Under a workman's compensation act, we will say, an assessment is made and if the man does not pay it, his whole property may be tied up by registering some kind of wickhagen—

Mr. CASTLEDEN: Wickhagen?

Mr. HANSON (York-Sunbury): Yes. It is a homely term in New Brunswick applying to a legal process. This section imposes a lien by statute on property. I notice that in the succession duty act it is called a caution caveat is the word we usually use. Is this a new principle in taxing statutes?

Mr. GIBSON: This is just adding one section to the other sections already subject to the same provisions.

Mr. HANSON (York-Sunbury): That is as clear as mud. I asked if this was a new principle in our legislation, or have we been doing it for years?

Mr. GIBSON: There is no change in the principle at all. This is just adding one other section to the other sections already dealt with in the same way.

Section agreed to.

Sections 32 to 34 inclusive agreed to.

On section 35-Control of amusement tax.

Mr. MacNICOL: Does the federal government obtain a revenue now from the amusement tax on picture show tickets?

Mr. HANSON (York-Sunbury): What was the defect in the previous control that made this necessary?

Mr. GIBSON: The change of method in regulating this tax was brought about because there were different regulations in the various provinces. The Royal Canadian Mounted Police were checking theatres in some of the provinces by counting the patrons entering, but found that that was not a satisfactory check because some of the patrons were entering free, on passes. This provision is intended purely to assist in checking evasion of the tax in places of amusement.

Special War Revenue Act

Mr. HANSON (York-Sunbury): What has been the history? Has there been much evasion? What about abuses? Talk about abuse of the pass system on the railways the abuse of the pass system in motion picture houses is tremendous, I have heard. How much is the country losing by means of this free pass system in connection with picture shows?

Mr. GIBSON: There is no check on that.

Mr. MacNICOL: Subsection 3 provides:

A patron to whom a portion of a ticket is delivered under subsection two of this section upon being admitted to a place of amusement, shall keep the same in his possession until he leaves such place of amusement.

Is not that a common nuisance regulation? When a man goes into a picture show, after sitting down, he usually rolls up the stub and throws it on the floor. Now he will have to throw it outside when he comes out.

Mr. GIBSON: This provision is already in provincial legislation, and we have included it for uniformity.

Mr. HANSON (York-Sunbury): I am surprised that a Scotsman would throw on the floor his right to a seat, because if the usher brought somebody else along and the man did not have his stub with him, he would have no right to his seat. I recommend to my hon. friend that he keep his.

Mr. NICHOLSON: Are horse races considered amusements?

Mr. GIBSON: There is a tax on admissions, and taxes on betting.

Section agreed to.

On section 36-New parts XVI and XVII:

Mr. HANSON (York-Sunbury): Has anybody read these sections? I have tried to. They were never before the committee. These are new provisions relating to the operation of the tax in certain places of entertainment. Does anybody in the committee know just what he is doing? Does the chairman know?

The CHAIRMAN: I do not.

Mr. HANSON (York-Sunbury): Take the penalty clause, for instance. That is a new enactment, is it not?

Mr. GIBSON: Yes.

Mr. HANSON (York-Sunbury): All these sections from 133 to 143 are new and were never discussed on the resolution stage. Power is given to the minister, for example, to exempt any person from payment of the tax if the entertainment is for a charitable purpose.

[Mr. Gibson.]

I am going to read the penalty clause, 137, so that at least some people will know what we are doing:

Every person who fails to present a bill or invoice or to affix or cancel an excise stamp or stamps as required by section one hundred and thirty-five of this act is guilty of an offence and liable, on summary conviction, for the first offence, to a penalty of not less than twenty-five dollars and not exceeding two hundred dollars and in default of payment to imprisonment for a term of not less than three months and not more than twelve months, and for each subsequent offence to a penalty of not less than two hundred dollars and not exceeding five thousand dollars and in default of payment to imprisonment for a term of not less than six months and not exceeding two years.

The object, of course, is to penalize those who systematically or who may as a matter of practice try to defraud the treasury by not affixing these stamps. I agree that some provision has to be made for punishment of those who are out to defraud the public revenues.

Mr. MacNICOL: How are people to be notified?

Mr. HANSON (York-Sunbury): I suppose the department will see to it that the whole trade affected by this bill is circularized and that they know about these new provisions and these new stamp taxes. These are new stamp taxes and the stamps must be affixed and cancelled. I suggest to the minister that the penalties, at least for minor infractions, are pretty high. On wholesale infractions of the tax he ought to be pretty severe, but is there very much latitude or discretion given to a convicting magistrate? I should like him to think that over. Suppose by inadvertence I put on a stamp and do not cancel it-to take the most minor thing I can think of-I have to pay a fine of \$25. It seems to me that that is excessive.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. ILSLEY: With reference to the point raised by the leader of the opposition, I am told that this is in keeping with the penalties for infractions of other revenue laws. Whether the offence is of the same magnitude or not is, I suppose, arguable, but it is a very easy thing for anyone to evade this if he wishes, and the penalty must be fairly strict.

Mr. JACKMAN: Would the minister consider putting in "knowingly or wittingly"?

Mr. ILSLEY: No. They will get out by saying that they forgot to put the stamp on.

There is a section here which the leader of the opposition wanted called to his attention

4650

when we reached it. It is on page 14, section 140 of the act, being part of section 36 of the bill: Tax on retail sales. The question was about delivery.

Mr. HANSON (York-Sunbury): Instalment sales.

Mr. JACKMAN: Suppose a person has undertaken to purchase various articles which are taxable under this section and has almost completed the payments, or has been making deposits against a specific article. No delivery has been taken. It may be that a young woman is saving for a hope chest, has specified flatware or something of the sort, and has almost completed her payments; and now she must pay, in order to get delivery, 25 per cent extra. I understand that is the way this section is administrated at the present time. It does not seem equitable.

Mr. ILSLEY: It works both ways, I think. The delivery is the overt provable act and fixes the time when the tax is due, but the moment of sale is sometimes difficult to ascertain. The question then arises whether "sale" means agreement to sell or not. It might be that in many cases an article could be bought and laid away, and if the tax were on the sale, the tax would become due after the conversation took place or after the article was set aside. I assume that if that were the rule, at the time of the beginning of the tax, many transactions might come to light in connection with which it was alleged that the article had been set aside and laid away before the coming into effect of the tax. For these reasons delivery seems to be by all odds the best date to take. I believe that in the administration of the sales tax, experience of years resulted in the adoption of the delivery date as the important date, the determining date.

Mr. HANSON (York-Sunbury): There might be a case of complete payment with the taking of delivery deferred. The transaction would surely be completed if payment had been completed.

Mr. ILSLEY: Delivery is the date.

Mr. HANSON (York-Sunbury): Even if payment has been completed?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is unfair and inequitable. I can understand the minister's point of view where payment has not been completed, but in the case of a complete payment where the purchaser says "Hold that, and I will call for it next week," I do not think the tax should apply. Does it apply in such a case?

Mr. ILSLEY: If delivery has not been made the tax does not apply.

Mr. HANSON (York-Sunbury): Would there not be constructive delivery in the case of which I speak?

Mr. ILSLEY: There would be constructive delivery; that is, the article would be held by the vendor as agent for the purchaser, and lawyers might raise an argument as to whether delivery had not actually taken place. But I think that for purposes of administration the officials of the excise division take physical delivery as the one determining factor.

Mr. HANSON (York-Sunbury): Well, it is the easiest way.

Mr. ILSLEY: Yes.

Mr. JACKMAN: It is another example of administrative ease being sought, notwithstanding the hardship on the individual. I do not know how general these instalment cases are, but it does seem to me that the administration might take a more lenient attitude in regard to them, because it is only during the next few months that any evasion or subterfuge could be perpetrated if this section were made more equitable. It seems most unfair that persons who have already undertaken to buy things on a limited income should now be subject to the very steep tax of 25 per cent because they had not actually taken physical delivery. The administrative difficulties would be over in a few months if the minister would relax the method of handling the tax.

Mr. HARRIS (Danforth): In the case just cited, if the entry has gone through the books of the vendor the transaction would be definitely closed so far as the vendor was concerned, even though the goods had not actually been delivered. Another point is that in auditing the vendor's books the department's auditor would go in accordance with those books, and that would be the alpha and omega so far as transactions of this kind are concerned. Up to a certain point the tax does not apply, and from there on it would apply. It would not be within the province of the departmental auditors to go back and check stocks, I imagine. The simplest and most satisfactory way would be for the departmental auditor to take the audited books of the company as the transaction on which the new demand would be based.

Mr. ILSLEY: Many of them do not keep books, or adequate books.

Mr. HARRIS (Danforth): But the point taken by the hon. member for Rosedale is

Special War Revenue Act

well taken, because, as we all know, many young couples getting married to-day, with the husband in the armed forces, are not able to take up residence yet but want to feel some sense of security with regard to certain articles they had taken a fancy to, perhaps feeling that they will not be able to get them later as the shortage of materials extends. In many cases the article is fully paid for and the transaction closed, but it is left in the custody of the company. There is also the consideration of spoilage, wastage, and the necessity of storing elsewhere in case the husband is obliged to move and the bride goes to live somewhere nearby. Perhaps they hope eventually to settle in their home town, but in the meantime they are wandering around and are unable to gather together these goods, which they have not only had charged but have paid for and feel that they own. I cannot see that it is possible for the department to apply this tax on undelivered goods, in the face of the bookkeeping entries of the vending companies on the one hand and the parties moving around on the other.

It obtains not only in regard to such persons as those referred to by the hon. member for Rosedale, but in many other cases. Take a simple example—the Rolls razor. I do not know whether razor blades come under this tax, but scores of people have set aside purchases because these goods cannot be supplied from overseas. They have set aside stocks, and paid for them; the entries have gone through the books of the vending companies. Thinking of the great number where physical delivery is not taken, it seems to me it is going to be a great task for the department to determine the matter on the basis of physical delivery.

Mr. ILSLEY: I cannot help thinking that the cases discussed are highly exceptional. In the great majority of cases where the sale does not synchronize with the delivery, the delivery comes first. The goods are taken possession of, and the property in the goods passes when the instalments are paid. The hon. member for Rosedale is putting a very exceptional case where money is paid with a view to getting the goods later.

Mr. LOCKHART: There are scores of them.

Mr. ILSLEY: But there would be many more of the other variety.

Mr. JACKMAN: How many dishonest jewellers are there who would try to rob the department? The minister is not treating this matter fairly.

Mr. ILSLEY: I am not talking altogether about dishonest jewellers; I was talking about [Mr. J. H. Harris.] the date we should take. We could have a fancy formula that would be against the crown no matter what happened; I suppose we could take the date of the transfer of property or the date of delivery, whichever was earlier, and carve some of the transactions out of the act. But why do it? Where is the great hardship here?

Mr. JACKMAN: The inequity of it.

Mr. ILSLEY: Future buyers are to be taxed; why should not the buyers on the borderline?

Mr. JACKMAN: Surely the minister does not say that is sound reasoning. Why not make everything retroactive?

Mr. ILSLEY: I did not say anything about making things retroactive. Where is the hardship in putting a tax on goods that pass into the possession of the purchasers in the future, following the passing of the act?

Mr. JACKMAN: If the minister were saving for fifty or a hundred weeks a dollar **a** week to pay for some article a young woman wanted for her hope chest, he would soon find where the hardship is, if when he came to his last payment he had to start saving for another twenty-five weeks.

Mr. ILSLEY: A hundred weeks would be two years during which she has been saving. That is quite a wait. Then the hon. gentleman puts another twenty-five on that. Surely he is taking a highly exceptional case now, whatever he was doing before.

Mr. McNIVEN: Before lunch the leader of the opposition, in commenting on the speed with which we are going through this bill, asked whether we as members knew what was in the sections. In glancing over the sections I was surprised and shocked to find in section 31 that a judgment could be registered against a delinquent taxpayer after fifteen days from the receipt of a registered notice; that that judgment, no matter whether the man lived in Ottawa or the Yukon, would be registered in the Exchequer Court of Canada and would appear in the records of this country as a judgment against him. Following the issue of the judgment there is the right to issue an execution against his goods and lands, and the appropriate officer may go into possession of his goods and chattels. It may be argued that in the case of the sales tax he has already received the moneys represented by the tax. He has collected it from someone else; therefore there should be no arrears. But there are many cases in which business concerns have absorbed the tax. The tax is payable out of their profits. They find

4652

themselves in debt to the department. They receive a registered notice, and fifteen days afterwards a judgment is recorded and the sheriff may step into their place of business. For many of them it means bankruptcy. I really wonder whether we understand that we are placing such drastic powers in the hands of officers of the department.

Mr. GIBSON: There is nothing new in this provision. It now applies the law to two more sections, that is all. It has been the law that has been carried out in the past, I think very fairly.

Mr. LOCKHART: Just to clarify 142 of section 36, subsection 1, where a watch is purchased many months before and almost paid for when it is delivered or ready to send overseas, is the whole tax of 25 per cent added to the cost?

Mr. GIBSON: If the goods are exported the tax would not apply at all. Otherwise it would apply.

Mr. LOCKHART: I know of five men who are now at Debert, and who no doubt will soon be going overseas. The wives of these men are buying watches for them, and have just about finished paying for them.

Mr. GIBSON: Those goods are not being exported; they are being delivered to purchasers residing in Canada.

Mr. LOCKHART: And they will have to pay the full 25 per cent tax on those watches?

Mr. GIBSON: That is right.

Mr. LOCKHART: Could it not be on the unpaid balance? I have in mind a watch costing \$32. The tax would amount to only \$8, but that means quite a lot to a young wife who is working and saving her money to send a watch to her husband, who expects shortly to go overseas. Could not the tax be applied to any balance still owing, or something of the kind?

Mr. ILSLEY: I do not think so.

Section agreed to.

On section 37-Schedule I.

Mr. SENN: Paragraph 7 imposes a tax of 25 per cent on electric or gas light fixtures and lamps and shades, globes and reflectors. Why should globes be placed in that list? They are essential; everyone uses them, and for that reason they are not a luxury but a necessity. They might better have been left out.

Mr. FRASER (Peterborough West): If I might refer for a moment to section 143, in part XVII, this section refers to the matter 44561-294

Special War Revenue Act

about which the hon. member for Regina spoke a short time ago. This deals with penalties. Under it, either the salesman or the purchaser must cancel the stamp, and if that is not done a penalty of from \$25 to \$2,000 may be imposed. That is about all we see in this act-penalties all the way through. Then the minister does not give the taxpayer very long in which to pay his tax. When we go back to the section imposing the tax on furs, we find that the tax must be paid the first business day following the delivery of the furs, though in many cases the dealer will not get his money for several days. I do not believe the people are getting a fair deal under this measure. The penalties should be reduced, and the dealer should have a reasonable time within which to pay these taxes.

Mr. ILSLEY: The hon. member for Haldimand asked with regard to globes. There is no change in this item; it is not a new provision at all.

Mr. SENN: I wanted to know if that meant electric light bulbs, that was all.

Mr. ILSLEY: I am told that it does not.

Mr. STIRLING: What is a globe?

Mr. ILSLEY: I have seen them, but I do not know how to describe them. They are lighting fixtures.

Mr. STIRLING: But not electric light bulbs?

Mr. ILSLEY: No.

Mr. FRASER (Peterborough West): Under paragraph 8 of section 37 a 25 per cent tax is imposed upon coin, disc or token operated slot machines and vending machines; coin, disc or token operated games or amusement devices of all kinds. Does this mean the government is sanctioning the use of these machines?

Mr. ILSLEY: This provision is not new.

Mr. FRASER (Peterborough West): I know, but there have been a great many objections to machines of this kind.

Mr. GIBSON: This is not a new section. It refers to such machines, for instance, as those which distribute candy, gum, and cigarettes; coin-operated devices that are used for merchandising goods in that manner.

Mr. ROSS (St. Paul's): I should like to ask the minister when a man is a professional photographer and when he is not?

Mr. ILSLEY: I do not know; I suppose when he earns his living at photography.

REVISED EDITION

Mr. ROSS (St. Paul's): That is very important. Is there any definition of a professional photographer?

Mr. ILSLEY: No, but there are different types of equipment.

Mr. ROSS (St. Paul's): I think there should be some definition. Otherwise all you would have to do would be to go and rent a film for a few dollars, or something of the kind.

Mr. ILSLEY: The hon. gentleman has missed the point. There is an attempt here to distinguish between two types of equipment equipment designed for professional and industrial use, and equipment designed for amateur use. Equipment of the first type is exempt; it is the second type that is taxable. There is no need for an amendment to the interpretation section to define what is industrial or professional use. I am told that this concerns equipment of two types.

Mr. ROSS (St. Paul's): The point is that many professional photographers are taking moving pictures with 8 millimetre film, in order to cut down on expense. I think you should have some definition.

Mr. ILSLEY: If they use amateur equipment it is taxable.

Mr. BLACK (Yukon): This item reads, in paragraph 5:

Cameras, photographic films and plates, projectors for slides, films or pictures, except those designed exclusively for industrial or professional photographers' use—

What is the design? I should like to understand it. There are hundreds of thousands of amateur photographers in Canada. cameras they buy, the films they buy, the projectors they buy were so expensive even before this extra 25 per cent was imposed, that very few people could afford to use them. By this additional tax you are shutting out the amateur almost entirely. As one hon. member has just said, photographic films and slide projectors used by professionals are also largely used by amateurs; there is very little difference. Take thirty-five millimetre film. Many amateurs use it, but it is used also by professionals, and is shown in theatres on the screen. How can you tell whether that film is designed for use by a professional or by an amateur? It all depends on who buys it. It is not a question of design in the film, because the film used by the amateur and the film used by the professional are of the same design, and the same thing applies in many other cases.

Mr. ILSLEY: That may be so in many instances, but I am quite sure that you would [Mr. Ilsley.]

not find amateurs using to any extent the sort of cameras or equipment used by Karsh. for example, or any photographer of that type. If equipment is designed exclusively for the use of professional photographers, or for industrial use, it is exempt from the tax. Other equipment is taxable, even though some professional or industrial use be made of it. There would have to be a ruling by the Department of National Revenue drawing a line in classifying equipment. On one side of the line the equipment would be regarded as designed exclusively for professional or industrial use, while on the other side of the line that would not be so. Articles of one class would be exempt, while others would be taxable. The goods that are exempted here must come within the words of the exemption. We start with the basis of them all being taxable. But in order not to impose a business tax to any greater extent than can be helped, because of the business taxes that are on now, we try to carve out part of this range of goods, and those are not taxable. The kinds that are carved out are those designed exclusively for industrial or professional use. It may be that some of them will be taxed.

Mr. BLACK (Yukon): With all due respect to the minister, his explanation makes it no clearer than it was before. If the tax is imposed for revenue, why exempt the professional photographer? He is the man who makes money out of it. The amateur does not.

Mr. ILSLEY: We get him under the excess profits tax.

Section stands.

Progress reported.

HONG KONG COMMISSION

BUSINESS OF THE HOUSE-DEBATE SET FOR MONDAY, JULY 27

Hon. R. B. HANSON (Leader of the Opposition): With the consent of the house may I intervene to ask the Prime Minister (Mr. Mackenzie King) what has been decided with respect to the Hong Kong debate?

Right Hon. W. L. MACKENZIE KING (Prime Minister): As my hon. friend is aware, the intention on the part of the government has been to proceed with the Hong Kong debate immediately after the conclusion of the discussion on these bills standing in the name of the Minister of Finance (Mr. Ilsley). Do I understand it is the wish of my hon. friend that any other order of procedure should be adopted?

4654

Mr. HANSON (York-Sunbury): I suggest that we proceed on Monday, and make it a definite fixture for that day at the opening of business.

Some hon. MEMBERS: No.

Mr. MACKENZIE KING: I know it is the desire of the Minister of National Defence (Mr. Ralston) to proceed as rapidly as possible with the discussion, largely because, among other reasons, the necessity for so proceeding has been impressed upon the government from time to time. However, if my hon. friend and other hon. members wish to have the matter stand as the first order of business on Monday, I will ask my colleague if that would be agreeable to him.

Mr. HANSON (York-Sunbury): I do not see how it is possible to take it up to-day, when there are two or three more bills to be discussed. Only two have been passed, and the third is now under way. The bill having to do with the Dominion Succession Duty Act is to follow, and then we are to discuss the Excess Profits Tax Act.

Mr. ILSLEY: I can take up the Excess Profits Tax Act to-day.

Mr. HANSON (York-Sunbury): All right, that is satisfactory; then supply.

Mr. BLACK (Yukon): While procedure is being discussed could the minister give any information as to when Bill No. 115 will be taken up?

Mr. MACKENZIE KING: My hon. friend's wish is that we should definitely proceed on Monday?

Mr. HANSON (York-Sunbury): Yes.

Mr. MACKENZIE KING: Very well.

Mr. ILSLEY: Bill No. 115 will have to come after the Hong Kong debate.

SPECIAL WAR REVENUE ACT

The house resumed consideration in committee of Bill No. 114, to amend the Special War Revenue Act—Mr. Ilsley—Mr. Vien in the chair.

Section 37 agreed to.

Sections 38 to 41 inclusive agreed to.

On section 42—Coming into force of certain sections.

Mr. ILSLEY: There is an amendment to section 42.

Mr. GIBSON: I move:

That section 42 of Bill No. 114 be amended by deleting the words "sections one to twelve 44561-2941 inclusive" in line one thereof and substituting therefor the following: "sections one, nine to twelve inclusive".

Amendment agreed to.

Mr. HANSON (York-Sunbury): What happens to sections two to eight?

Mr. ILSLEY: They are to be provided for in another section to be added. I shall move that later.

Section as amended agreed to.

Sections 43, 44 and 45 agreed to.

On section 46—Coming into force of certain sections—sugar.

Mr. FRASER (Peterborough West): Why is there mention of the sixteenth day of February?

Mr. ILSLEY: That is the date I made the announcement about the change in the tax.

Section agreed to.

Sections 47, 48 and 49 agreed to.

The CHAIRMAN: Shall the title carry?

Mr. ILSLEY: As I explained, another section is to be added. My colleague will so move.

Mr. GIBSON: I move:

That the following section be added to Bill No. 114:

"50. Sections two to eight inclusive of this act shall be deemed to have applied to premiums received by insurance companies in Canada during the calendar year 1941, and each calendar year thereafter."

Mr. ILSLEY: These taxes on the insurance companies are to take the place of provincial taxes repealed. When I presented the budget . of 1941 on April 29 of that year I stated that in respect of certain classes of companies it might be necessary to impose the special taxes to take the place of the provincial taxes, and that. they would be retroactive to October, 1941. That was missed when the bill was drafted.

Section 50 agreed to.

Bill reported.

Mr. ILSLEY moved the third reading of the bill.

Mr. GEORGE BLACK (Yukon): Mr. Speaker, I should like to direct the attention of the Minister of Finance (Mr. Ilsley) to the effect the taxation imposed under this budget is having in the constituency I have the honour to represent, the Yukon. It is causing an actual exodus of people from that territory. They cannot stay there and earn sufficient to pay their living expenses as well Special War Revenue Act

as the new taxes, and there is nothing left for them but to get out. That is a sad state of affairs.

On June 3 I drew the attention of the Minister of Labour (Mr. Mitchell) to the inequality between the wages paid by foreign employers in that territory and those paid by Canadian employers. I should like to read a short extract from a British Columbia paper, as follows:

Writing from White Horse, Yukon territory, a former resident of the lower mainland unfolds an odd angle of the doings in the north country since Americans went in to build the Alaska highway and other defence works.

"There are a lot of American outfits up here doing construction and defence work with American money. They brought lots of help up with them but not enough to go ahead the way they figured on unless they could get some Canadians. They did get some Canadians and paid them at the same rate as Americans, \$1.05 an hour for ordinary labour with time and a half for overtime; American dollars.

all for overtime; American dollars. That didn't suit the White Pass and Yukon who have a contract to supply help to build an airport here."

They are referring there to the transportation company.

"They only pay 75 cents an hour for their help. What they get from the Canadian government is another question. So a politician pulls the strings at Ottawa and the next thing is, all Canadians at White Horse working for Americans are brought down to 75 cents an hour straight, and the next move is, all Americans at White Horse are ordered to get rid of all Canadians and hire no more.

Now what kind of a game are they playing at Ottawa? They are supposed to be trying to keep all the money they can in Canada and still they prohibit Americans doing defence work with American money from hiring Canadians which would bring American money into Canada. It looks like a big racket to me.

P.S. Room rent the cheapest at White Horse is \$10 a week; meals 75 cents to \$1.50; so you will see labour is better off working outside."

That is why labouring men are obliged to leave that part of the country. I may say that the company referred to asked me to apply to the national war labour board for authority to raise by 50 per cent the wages paid to common labour. They were then paying 50 cents an hour, and the board raised the rate to 75 cents an hour, plus cost of living bonus. The employees and the employers were quite satisfied with that rate until the United States contractors came in and paid larger wages in United States money. Naturally the Canadian labourer went where he could make the most. Why not? He should not be prevented from doing that. He could get only 75 cents per hour working for a Canadian employer, whereas he could get what amounted to \$1.15 per hour in Canadian money working for a foreign contractor.

On June 3 I brought this matter to the attention of the government, when I said, as reported on page 3017 of *Hansard*:

The consequence is that employees of Canadian employers are leaving them and going to work for these alien contractors, who are paying no attention to our Canadian law, while Canadian employers are bound to observe it. Certainly Canadian employers of labour would not be allowed to do such a thing, and I submit that it is the duty of the government and of the Minister of Labour to see that these alien contractors obey our Canadian law.

I repeat that. If you are not going to do that, then you should let the Canadian labourer work for the man who will pay him the biggest wages.

There is a further inequality in the ruling of the national war labour board. They have provided one scale of wages that may be paid for the different categories of labour south of the sixtieth parallel, which is British Columbia, and another slightly higher scale which can be paid north of the sixtieth parallel, which is the Yukon territory. They provide:

Because of the emergent nature of this work employees may be required to work ten hours per day but not more than sixty hours per week. In such case all work in excess of the customary hours shall be paid for at the usual overtime rates prevailing in the district for the respective trades or as established by agreement or provincial regulations.

That is the ruling for the district south of the sixtieth parallel, but no provision for overtime is made for the territory lying north of the sixtieth parallel. The usual practice for employers there is to pay time and a half for overtime, but apparently this government board does not recognize that. I have it on good authority that these United States contractors are now employing tractor and truck drivers in western Ontario on the basis of \$20 to \$25 per day, with transportation provided to the scene of construction on the Alaska highway. I do not understand how Canadian labourers can go up there and accept that money, with the present ruling of the national war labour board. I should like to see them get it. Here is what has happened. The government, through the Department of Finance, is taxing these people at such an excessively high rate that they cannot stay in the country, and on the other hand the government, through the Department of Labour, is preventing them from earning wages which would permit them to stay in the country. This is a cruel imposition on the Canadian labourer, and I am asking that it be removed.

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Speaker, I think there is an answer to what my hon. friend has said. If

[Mr. G. Black.]

I remember aright, he was the first one to direct my attention to the situation in the Yukon. We must remember that in the United States they have not travelled as far as we have in the stabilization of their wages policy, but I believe that in the not too distant future they will 'follow our lead. My hon. friend will readily understand that we cannot have our own wages structure destroyed because of the building of the Alaska highway.

Then there is the question of labour supply. We all know that there is a very tight situation, particularly in western Canada and more particularly west of the rockies. Conversations were held through an arrangement made by officials of the Department of External Affairs with representatives of the United States government, and a plan was worked out under which Canadian contractors who assumed contracts for the building of the Alaska highway would engage only Canadians and pay them the rate of wages set by the national war labour board. Labour coming from the United States and engaged by United States contractors would be paid the United States rates of wages. My hon. friend will understand the complexities of the situation. The United States workman gets not only the rate prevailing where he is hired, but an additional 25 per cent for working abroad. He also has the benefit of the rate of exchange, which is about 11 per cent. Most of the men engaged on the building of the Alaska highway will be United States workmen who will be employed by United States contractors. We faced a somewhat similar situation in the building of a pipeline into Alaska from north of Edmonton, but I am glad to say that this has been straightened out, according to the information I have received from the employment service of Canada.

My hon. friend referred to the recruiting of men in western Ontario. I want to say that as far as United States contractors are concerned there will be no recruiting of men in this part of the country. In the operation of an enormous undertaking like that, there are bound to be exceptions to the rule and difficulties in the application of the policy.

We have to take a national view of this question. What the hon. member says about giving it with the one hand and taking it away with the other is true, but when the budget resolutions go into effect they will affect everybody, members of the House of Commons and the general public. When this thing gets into full swing I say frankly that I think the arrangements which have been made between the two governments will work to the eventual benefit of the people of British Columbia. What we tried to avoid was the very difficult situation that exists in Newfoundland. It is not an easy policy we have to administer, but there was no alternative to the one we took, and taking the long range view I think it will work out satisfactorily.

Mr. BLACK (Yukon): The Minister of Labour says that when the budget resolutions go through everybody will be assessed. I do not think that includes United States labourers working on this project. They will not pay income tax in Canada.

Mr. MITCHELL: They will pay it in their own country.

Mr. BLACK (Yukon): Canadian labour ought to be free to work for the United States contractors at the United States rate.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I do not think the minister has made an adequate reply to the hon. member for Yukon (Mr. Black). Here we have a situation which is upsetting everything in relation to the labour supply in the Yukon. After all, it is under Canadian sovereignty; the United States government ought to conform to the wage-ceiling structure that we have put into effect in this country. I do not think there would be any violation of the good feeling between the two countries if they were asked to do that.

I do not appreciate the significance of the minister's reference to Newfoundland, but I do know that wage ceilings down there have been sky high, beyond the dreams of avarice of the average man in Newfoundland. They told me when I was there last autumn that men were working for two or three weeks and then going home to visit their wives for two or three weeks, coming back to work when their money was spent. The situation in the Yukon makes it impossible for a Canadian contractor to retain Canadian labour. The situation should be grappled with immediately.

I do not put any stock in the minister's suggestion that when these budget resolutions go through and we have a new normal tax under the income tax schedules applicable to everybody in Canada, we can make these fellows pay the tax. I have grave doubts about that. How will you enforce it when all they have to do is to cross the line to some other part of the work? The fact of the matter is that the minister has not yet got a solution to the problem. He should give an undertaking to the house that the problem will be solved along lines that will protect the Canadian position.

Mr. MITCHELL: I should like to answer my hon. friend if the house would consent.

Motion agreed to and bill read the third time and passed.

EXCESS PROFITS TAX ACT, 1940

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 113, to amend the Excess Profits Tax Act, 1940.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Fournier (Hull) in the chair.

On section 1-"Standard Profits."

Mr. HANSON (York-Sunbury): Mr. Chairman, on the resolution stage, on July 21, Tuesday last, at page 4461 of *Hansard*, I asked a question which was not then answered. The question was:

What progress has been made in fixing standard profits for depressed industries?

Then I went on to say:

I have been told that the board of review has not adjudicated upon even one-third of the cases before it. If that be so, should not some additional agency be created to speed up the work? Predicated on that statement the situation is very disturbing to those concerned. If there are several hundred such cases and they do not know what to do until their standard profits are determined, it is unfair to them.

I went on to say:

The question may be based on an entirely erroneous impression, but I should like to have some statement as to the position at a later stage.

Mr. ILSLEY: The board of referees has had referred to it by the income tax division 737 cases to date. The board has handed down the following decisions: (a) under the heading of depressed business, 303; (b) under the heading of new business, 50; a total of 353.

Mr. HANSON (York-Sunbury): A little less than half the total number?

Mr. ILSLEY: Yes. In addition, approximately 50 decisions have been made and only await official promulgation. That was the position on June 21, 1942.

Mr. HANSON (York-Sunbury): Is it thought that all the cases have been referred, or how many cases are there which have still to be referred to the board in due course?

Mr. ILSLEY: The new companies will be coming continually to the board.

Mr. HANSON (York-Sunbury): I assume so.

Mr. ILSLEY: The commissioner informs me that quite a number of old companies which have not yet made application will be doing so.

Mr. HANSON (York-Sunbury): Am I to understand that the 737 cases of old com-[Mr. Mitchell.] panies which were referred to by the minister covers the total number of old cases in which application has been made to be dealt with under the depressed industry clauses, and that of these some 400 have already been dealt with? That covers a period of about two years does it not? How many more old companies is it anticipated will apply?

Mr. ILSLEY: These are the cases that have been referred to the board, but a large number of applications to the minister have not been referred to the board. I have not the figures here.

Mr. HANSON (York-Sunbury): Are they of such a character that they can be dealt with by the administrative officers on 'the basis of principles established by the board? I understand that this board—which I may say in passing I thought, and still think, is a very fine board—spent a substantial amount of time in the early stages of its tenure of office in studying the position and in trying to arrive at statements of general principles applicable to certain classes of cases. The chairman of the board told me that was so, and I thought it was a very good course of procedure.

While I am on my feet may I say that he paid a very high compliment to the type of assistance which the board had received. It seems to be fashionable in some quarters to slam the civil servants. I never have done that. I have not even slammed "brass hats". But it may be some little satisfaction to the civil servants to know that a man of the calibre of Mr. Justice Harrison thinks that the type of civil servant assigned to assist him is of a very high character, and I want to put that on the record. I do not know whether Mr. Justice Harrison would himself say that publicly, but it was not a private or confidential conversation, and I think that I should say that.

What I want to know is this. There must have been many hundreds of depressed industry companies and partnerships and what-not, who were advised, either by their accounting staff or by their auditors, to take advantage of these provisions of the act. Was it the fact that the board established these principles and then the department itself went on to administer the principles thus laid down without referring each case to the board? Or-perhaps this is the better question to ask-was it the practice to refer each case to the board so that the applicants could have the opportunity-and I think it was afforded in every case in which they so asked-of making their representations to the board?

I think the board gave great consideration to representations which were made. What is the practice? Are the old companies pretty well dealt with, or are there several hundred beyond what the minister has intimated. Also, what is the fate of the newsprint companies in this respect?

Mr. GIBSON: The method by which this has been worked out is that the depressed company is now permitted to assess itself, and if the department in going over the company's figures is willing to accept those figures, there is no appeal.

Mr. HANSON (York-Sunbury): There is no reference?

Mr. GIBSON: There is no reference to the board; but if the department does not accept those figures, the company is referred to the board of referees. This method has very much cut down the number of appeals.

Mr. HANSON (York-Sunbury): And when it is referred on the application of the applicant to the board, and comes back to the department, what is the procedure? Does the department always reaffirm the board's decision, or does it ever overrule the board?

Mr. GIBSON: After it comes back from the board of referees, the department goes over it. I do not think that in many cases the department would disapprove the recommendation of the board of referees.

Mr. HANSON (York-Sunbury): I do not want to know what the minister thinks, I want to know what he does. Does he ever reverse himself? Does he ever reverse the board? Because, after all, the minister has the final say.

Mr. GIBSON: There has never been a case in which the recommendation of the board has been upset.

Mr. HANSON (York-Sunbury): I am glad to hear that.

Mr. HARRIS (Danforth): Do I understand the minister aright that in the case of depressed industries they would assess themselves; that is where they have made an application to the board of referees, when the application is pending? The depressed industry in that event could not assess itself and pay its taxes. The urgency of the question is based on a thought running through my mind, namely. that a large number of businesses close their fiscal period on March 31, and the four months period expires next week, on July 31. Meantime there are quite a number of depressed industries who have applications before the board of referees, whose applica-

tions have not been dealt with, and who are in this quandary. They are anxious to pay their tax on the due date, namely July 31, but there is no decision from the board of referees. Did I understand the minister to say that in that event they could remit to the Department of National Revenue the amount of tax compiled on their own figures and subsequently have the matter adjusted, without penalty?

Mr. GIBSON: The only cases that go before the board are those in which the taxpayer has not been able to agree with the department as to what is the profit to be allowed.

Mr. HARRIS (Danforth): The board of referees are in arrears with a lot of cases, and the tax becomes payable on July 31.

Mr. GIBSON: The taxpayer has the right at the present time to ascribe to himself what he considers to be the right amount of tax, and to make payment. Later, if there is any dispute with the department, the matter is referred to the board of referees.

Mr. HARRIS (Danforth): The tax would be on the standard profits of the four previous years, but in the case of the depressed industry where they claim to work under paragraph (b), 10 per cent of the invested capital might be the basis on which the standard profits would be calculated. Could the taxpayer in that event pay his tax as of July 31?

Mr. GIBSON: A company might pay on the basis of 10 per cent, but if the department claims that it should be 7 or 8 or 5 per cent it would then be sent to the board for their ruling.

Mr. HARRIS (Danforth): That matter of adjustment afterwards by the board of referees would be honoured by the taxpayer without penalty from the department?

Mr. GIBSON: There would be no penalty, but there would be interest on the amount of arrears.

Mr. HARRIS (Danforth): As a constructive suggestion to the department, let me say that there are a great number of industries in Canada who find that their inventories are depleted at the opening of navigation. That is to say, during the summer months, with navigation on right up to the fall of the year, they pile very heavy inventories on their docks and slips and in their warehouses, with the idea of carrying on until the opening of navi-These industries, as the minister gation. knows, invariably close their books on April 30. On August 31 their tax becomes due. The suggestion I have to offer is that the board of referees who are handling cases of the kind

which are now before them—and there are many, particularly in the coal industry—might readjust their agenda or their itinerary in such a way as to try to dispose of the cases of those industries whose taxation becomes due and payable on August 31. It is too late now to do it for July 31. I think perhaps that condition might have obtained with regard to March 31. In other words, get some sequence in this matter; because it is a source of worry and concern to those who are conducting their businesses as honourably and as best they know how, to find that they are not clear as to what they ought to pay. They are anxious not to fall afoul of the department.

Mr. GIBSON: I will pass that suggestion on to the board of referees, with the recommendation that it be favourably considered by them.

Mr. HANSON (York-Sunbury): Under the statute the allowance for a depressed industry group is a maximum of 10 per cent, or 5 per cent, or anything in between. On what principle are these allowances made? What company is allowed 10 per cent, what company 8 per cent, what company is held down to 5 per cent? What is the basis of final assessment?

Mr. GIBSON: That is what the board of referees spent a great deal of time originally in finding out, as to what classes of industry earn high rates and what classes earn low rates, so that they could deal with any application knowing approximately what rate should be applied to each class of industry.

Mr. HANSON (York-Sunbury): The minister has not answered my question. I should like to know the result. I know the method. They investigate each class of business and apply some formula to a particular class. But why should one have 10 per cent and another 5 per cent?

Mr. GIBSON: The history of that type of industry shows what the normal profit is. I take it that an industry that has a greater degree of risk would expect to make a higher rate of profit.

Mr. JACKMAN: Take for instance the newsprint industry. There, instead of one company being depressed the whole industry was depressed. Are you going to allow 5 per cent or 10 per cent, or how will you establish the principle as to the amount to be allowed? We should at least know what is in the mind of the department or of the board, in order that the public and the people who administer these companies will have some knowledge of what their position is.

I should like to know also whether or not the newsprint industry has had any ruling, [Mr. J. H. Harris.] after two years or more, on excess profits tax. Has clearance been given as to income tax? I gather none of them knows what its position is, not only for last year but even for the previous year. There must be some body of principles that will enable business to know where it stands.

Mr. HANSON (York-Sunbury): And there should be some finality about taxation.

Mr. GIBSON: The board of referees made an investigation of the newsprint industry as a whole. They determined that the industry was depressed. Now they are dealing with the individual companies to find out what relief should be granted to each company. They made an examination, not restricted to Canada but of the world, to ascertain what the situation was, what the profits were in various companies all over the world, and what would be a fair return for these industries.

Mr. HANSON (York-Sunbury): Has there been any finality with respect to any of these companies? I have information in respect to one company only up to March, but up to March there had been no settlement. The company had a splendid year last year. It had the cash to pay. I suppose it paid what it considered was due, although I do not even know that. The company, however, had to hold a huge sum in reserve in order to take care of the highest eventuality, money which might have been used for other purposes. In the meantime the shareholders are not getting a cent. As my colleague adds, they did not then know whether the amount appropriated, some \$2,000,000, was enough. I realize the magnitude of the difficulty.

Mr. GIBSON: There are so many types of businesses.

Mr. HANSON (York-Sunbury): Yes, many types. But these newsprint companies went through a terrible time during the depression. Most of them had to go through the wringer, I say with sorrow. These excess profits taxes are hitting them hard, and this provision was made so that they would not suffer as they have in the past and would not, I hope, be left in such a position that if another depression comes they would have to go through the wringer again. These companies employ great numbers of people. Some of them, at the peak, employ five thousand men. Without doubt it is the largest manufacturing industry in Canada, one that is native to this country and to which we look for a large amount of employment. Therefore notwithstanding the jibes that may be thrust at me from certain quarters in this house, I think these companies have to be kept on their feet by the avoidance

of excessive taxation. They cannot go through another period such as that through which they went in the last decade. If they do they are out, and one of the greatest factors in our national life in respect of employment is going to be in serious difficulty. I should like to know a little more about what is being done, and when the situation will reach finality.

Mr. GIBSON: Of course we realize the seriousness of the situation with regard to the newsprint industry. They presented their case as an industry, and it was given serious study. That has now reached finality so far as the industry itself is concerned. Now the claims of the various companies are receiving consideration from the board. I cannot say, as to each individual company, what stage their appeals have reached, whether in any particular case they have been finally adjudicated upon, but I know that the general principle has been laid down for the industry as a whole.

Mr. HANSON (York-Sunbury): Is there much difference between the representations of the industry itself as contained in its brief and the decisions that have been reached? How far did the government go? Did they yield to all the requests of the industry, or in what particular did they not? And is the result satisfactory to the industry?

Mr. GIBSON: I cannot make any statement on that, because the brief is filed with the board of referees, and unless there is an appeal from them after their final recommendation is made I would not have occasion to go into the brief at all.

Mr. HANSON (York-Sunbury): It has not come before the minister?

Mr. GIBSON: No.

Mr. JACKMAN: Has the newsprint industry been definitely classified as a depressed industry, and if so what has been the rate of earnings the board has decided it shall be allowed?

Mr. GIBSON: The industry as a whole does not get the rate. The industry is depressed, and it depends on the financial set-up of each company what its rate should be.

Mr. HANSON (York-Sunbury): The minister said that the industry as a whole was declared to be a depressed industry?

Mr. GIBSON: That is right.

Mr. HANSON (York-Sunbury): That is one thing that has been settled. But the rate that will be applicable to any given company is not a general rate, if I understand his remarks.

Excess Profits Tax Act

Mr. GIBSON: It depends on various factors including the amount of capital employed.

Mr. HANSON (York-Sunbury): It is a fixed principle, but will it vary in application as between companies? Some companies are much better situated than others, and some mills in the same company are better than others. Take Abitibi. Some of their mills were old and had been almost abandoned; other mills were great money makers. That company, I suppose, would have to be treated on the basis of its whole position, not as individual mills. Will some companies be allowed one rate and other companies allowed another rate of interest?

Mr. GIBSON: Yes, that may be so.

Mr. JACKMAN: All subject to the ordinary taxes.

Mr. HANSON (York-Sunbury): There will be a variation in the allowance made to different companies, depending on their earning power, their efficiency, and all the other factors that go to make up the difference between profit and loss balance.

Mr. GIBSON: Depending upon all the factors.

Mr. JACKMAN: And then they are all to be subject to this tax?

Mr. GIBSON: Yes.

Mr. JACKMAN: We are still very much in the dark, and I do not suppose much light can be thrown upon the matter by the minister here. But it does strike me that we should be able to learn what rate of earnings a depressed industry will be allowed, and what rate a concern such as a great railway will be allowed. In the one case it may be 10 per cent, which, after payment of a tax of 40 per cent will leave 6 per cent. In the other case it may be 5 per cent, which after pay-ment of the tax will leave only 3 per cent. There is no finality about these matters so far as the public is concerned. As the leader of the opposition suggests, perhaps the min-ister does not want us to know. But after such a lapse as we have had it is time that business knew about where it stood.

I should like to ask a question also with regard to the point I raised last year concerning the plateau of corporation profits, which was the best expression I could find. We take the period from 1936 to 1939 as our standard profit period. As applied to our economy the plateau is very low as compared with that which prevailed in England during their period, because, while it included some of those years, more alternatives were given in that case. In the old country they had a

COMMONS

Excess Profits Tax Act

boom in the heavy industries, and the export industries also did very well during the years which made up their plateau. In this country we had a complete depression in the newsprint industry, for example, with the excep-tion of one year, and the heavy industries generally did very poorly. As a matter of fact the aggregate of corporation profits was very low during the years used as a base. Let us take a case nearer home, that of the United States. How does our plateau of profits compare with the plateau which existed in the United States? We are putting on a very heavy tax, and we should know whether we are taxing a decrepit animal or a healthy, live animal. A comparison of our plateau with those of other countries will give us some indication of that. Many people have very little interest in this question, but it is a vital matter to industry; for on it depends to some extent whether or not industry will be able to survive the high rate of taxation now imposed. It is exactly the question with which one becomes familiar in our municipalities. If your assessment is high your tax rate may be low. If your assessment is low your tax rate may be high, and you come out about even. Here, however, you have a base which is very low, which in the circumstances is equivalent to a high rate of assessment; but you also have a high tax, equal to that of Great Britain and higher than that of the United States. I should like to know from the minister whether any work has been done or any publicity is to be given to the relative plateau of profits in this country during the base years as compared with those of Great Britain and the United States? Secondly, what rate of earnings is to be allowed in connection with newsprint, and in connection with the Canadian Pacific railway, both depressed industries? What rates do they get?

Mr. GIBSON: The question of what rate is to be allowed depends upon various factors including the capital structure of the company being dealt with. One company may be operating on borrowed capital while another operates on capital that has been subscribed, and the rates allowed would be determined largely by the capital structure of the company.

Mr. HANSON (York-Sunbury): I suppose that is true in a degree. But take the case of a company with a large proportion of bonded debt as compared with the equity, as against that of the company with a smaller proportion of bonded debt as compared with the equity. Which gets the higher rate of return—the one with the large bonded debt? Perhaps I might illustrate it by the use of

[Mr. Jackman.]

figures. Let us say one company has \$10,000,000 of bonded debt and \$5,000,000 of proprietors' capital. The other company, with the same amount of capital invested, \$15,000,000, has \$5,000,000 worth of bonds and \$10,000,000 worth of shareholders' capital. Is there any difference based on that? That just follows the minister's statement with regard to the capital structure. Would there be any differentiation in those cases or would you treat the shareholders' equity as capital on the same basis? One is in a much more healthy financial condition than the other; the one which owes \$2 is much worse off relatively than the one which owes only \$1.

Mr. GIBSON: There is of course a limit on the profit that can be allowed under the 10 per cent limit, and the amount has to be varied according to the capital employed and the nature of the business. Those factors have to be considered, and where there is a small equity capital in the business normally it would have to get a higher rate, of course up to the limit of 10 per cent, than a business where there is a higher equity capital.

Mr. HANSON (York-Sunbury): You treat the company having a smaller shareholders' equity better than you treat the one with a larger shareholders' equity. I took the simple case of a \$15,000,000 financial structure, in the one instance \$10,000,000 of bonds and \$5,000,000 of shares and in the other instance \$10,000,000 of shares and \$5,000,000 of bonds. The one with the greater bonded debt gets better treatment than the other?

Mr. GIBSON: They would get a higher rate; yes.

Mr. HANSON (York-Sunbury): What is the justification for that? It is the same type of money.

Mr. ILSLEY: What is the question?

Mr. JACKMAN: The leader of the opposition asked what was the justification for treating the company with the larger bonded indebtedness more favourably than the company with the larger equity investment. The minister said they were treated differently, and now the leader of the opposition has asked the justification for that treatment.

Mr. HANSON (York-Sunbury): I think I can give the answer myself, that in the one case the shareholders' investment is in a more hazardous position than in the other.

Mr. GIBSON: He is taking a bigger risk.

Mr. HANSON (York-Sunbury:) That is not the only factor, but is that the main factor?

Mr. GIBSON: That is one of them.

4662

Mr. HANSON (York-Sunbury): I do not think I will pursue this any further. I do not think the minister knows anything about it. I do not say that unkindly, but I think it is a fact.

Mr. JACKMAN: And what about the relative plateau of profits?

Mr. ILSLEY: I have not had a chance to read this draft as thoroughly as I would like, and that applies also to the succession duty act. I suggest that these be left over.

Mr. HANSON (York-Sunbury): Before we do that I should like to ask a question in respect to this bill. When this proposal was contemplated, was there any consultation with representatives of business in respect to this whole question of excess profits? This follows what I was about to ask with reference to the change in the set-up. So far as I am aware we are proceeding with taxation measures such as this without any consultation with those who are to be affected, without consultation with business, without the aid and support and information that those who are actively and practically engaged in business could give the department. I am assuming that that is a fact; I know nothing to the contrary.

In the United States there is sitting to-day, or will be sitting if it is not now, a committee to consider this question of personal income tax. It invites representatives of business to appear before the committee to give it the benefit of their advice, and more important still, the benefit of their experience with respect to the effect of taxation on individuals and companies, so that the committee may have first-hand information—not only theoretical—as to the effect of such taxation.

I could show the minister an interesting letter I received during the noon hour from an outstanding business man in a Canadian city. He points out that we are proceeding on the wrong basis so far as our income and excess profits taxation are concerned. He shows that we lay down certain principles and then we bend the law to suit those principles, irrespective of the effect they will have on the individual. If I were to mention this man's name the minister would recognize him at once as one of the brightest and most outstanding business men in Canada. He is of the opinion that we go about this matter in the wrong way. We set up a tax structure having for its primary purpose the securing of money. I admit the necessity for that, because we are at war and we have to get money. We are taking it from groups, individuals and companies. But we have to proceed along much more scientific lines than those on which we have been proceeding thus far.

Mr. JOHNSTON (Bow River): Hear, hear.

Mr. HANSON (York-Sunbury): Well, I am a little uncertain about the "hear, hear" from that quarter of the house, because I would be afraid of what it involved.

Mr. GRANT: You know you are wrong now.

Mr. HANSON (York-Sunbury): And if the hon. member for Prince Edward Island would hold his tongue and keep quiet, it would be better for everybody in the house, because his interferences are based on pure ignorance, and nothing else. Perhaps that will hold him for a while.

Mr. GRANT: That is terrible, isn't it, from a leader of the opposition. That is what leaves you where you are.

Mr. HANSON (York-Sunbury): We cannot proceed with our budget any longer on the basis of corner store economies. We have entered into tremendous big business in this country. We have a budget which is staggering in size, proportion and implications; certainly it is staggering as regards the sacrifice entailed. I am wondering if we budget in the proper way. I am wondering if in our desire to out-Herod Herod we have not proceeded in an improper direction, and under false premises.

The point I make is that in the United States they have adopted a different practice, which I believe has been in effect for a number of years. The treasury recommends a plan or programme. In that country they have a very high type of man filling the position of secretary of the treasury, and he is surrounded by capable officials, as is the minister in this house. I am not going to say our officials are not efficient—not at all. I am trying to make constructive suggestions; I am not trying to destroy. My purpose is to point out that we go about this thing in the wrong way. I believe we should do what they are endeavouring to do, and perhaps with a good deal of justification, in the United States. In that country the treasury recommends certain things. It is understood of course that in the United States the treasury is apart from the legislative body. They have a different set-up, but I do not believe that alters the principle for which I am contending. Certain recommendations are presented to the house of representatives. From there they go to a budgeting committee-I have no doubt the minister is much more familiar with their technique than I In that committee they hold hearings am. and invite representations from men who

know how the taxation will affect not only corporations and big business, but small business and little taxpayers.

Mr. ILSLEY: And then they do not follow them.

Mr. HANSON (York-Sunbury): Not always, no. But I venture to say that they are very much impressed with what they hear; and out of the whole accumulation of knowledge surely there is a little wisdom.

Mr. MacNICOL: The same thing in England.

Mr. HANSON (York-Sunbury): That is the democratic procedure. I suggest that we might very well follow it in Canada. It seems to me that it would have some advantages, although I would not say it is ideal. It is very much better, however, than the hit-or-miss system we have in Canada. I do not care how clever our advisers or experts may be, after all not many of them have had any actual day-to-day contact with business. They have not had as much as a good corporation lawyer-and on that point I would page the Minister of Justice, who would qualify as a corporation lawyer. Those officials have not had as much day-to-day experience as those of us who, in days gone by, were intimately connected with the problems of business, and know how it is affected by tax changes. Those officials have theoretical knowledge, it is true. They have book knowledge far beyond anything I ever hope to attain. But as to the practical application of that knowledge, I would not trade my practical experience for all the theory they have inside their craniums.

That is my suggestion to the minister. I make it in the utmost of good faith. I would ask him to ponder it between now and the next budget. Instead of having the whole country rush to Ottawa after the budget is brought down, let him have some inquiries made before it is brought down. Let people point out to the minister the inequalities of certain taxation, so that he will not have to back away from things. And, by the way, this minister does not do much backing, although he does a little.

In my lifetime I have seen a whole budget revised. I remember one occasion when Mr. Fielding, who has been heralded as a great minister of finance, presented a budget in the early twenties. We were down one night in the old museum building, and word came that Mr. Fielding was delivering a second budget. We all had to pile out, and when we did get up we were presented with a second budget. [Mr. R. B. Hanson.] Mr. JOHNSTON (Bow River): That is where this budget should be—in the museum.

Mr. HANSON (York-Sunbury): I would not say that, because there are many good features in it. I supported it, and I cannot take the position that the budget is all bad.

As I said in my speech on the budget, every time I have had to deal with a budget, either as a private member or in my present capacity, I have been confronted with the necessity of deciding either to support or to reject. There have been many things in every budget I have ever heard that I could support whole-heartedly, and there have been many things in those same budgets I should and could condemn. But one has to make a decision either to accept or reject as a whole. That is another fault in the system. Of course it is too late now to make any change with respect to the system of bringing in the budget, but I am asking the minister if he could not make some change in days to come. We are going to be at war next year, and we will have another budget. I am not going to repeat what I said about the maximum of taxation having been reached. But I do think we have reached the time when the law of diminishing returns will come into operation. I am sure of that, from the reactions I get from the country. Some of these very taxes which have been imposed are going to defeat the purpose the minister has in mind. However that is a prophecy, and it is a pretty dangerous sphere to enter upon at any time. I may be wrong, but that is what I am suggesting. What I am striving for is the enunciation of the principle we should follow when preparing a budget. Perhaps what I suggest could not be done with respect to tariff changes, but I think it could with respect to direct taxation. We should consult the people who are to pay the bill.

Mr. JACKMAN: The banking and commerce committee.

Mr. HANSON (York-Sunbury): My hon. friend suggests the banking and commerce committee. I would have to think over that suggestion before I would be willing to accept it in its entirety. I have no doubt that considerable good would come out of that sort of committee. I should think that some body could be set up to examine the proposals suggested by the treasury officials before they are brought down in the budget.

This would be a radical departure from our practice in this country, but after all we should not live too much in the past. Let us have a little progress. Knowledge is never static. We should go forward in devising our taxation methods. I had not intended to elaborate upon this matter, but I have been thinking about it since noon. I recommend it to the minister. There may be insurmountable difficulties, but at the moment they are not apparent to me. Between now and the next budget I suggest that the minister consider having hearings held in advance, not afterwards; that he consider receiving representations before the event, rather than afterwards, from the people who may be affected.

I can understand how once having brought down a budget and committed the administration, it must be a difficult thing to reverse one's position. If one's mind is as inflexible as I believe the minister's is, it must be a humiliating thing to have to change your position. However, if I am convinced that I am in error, I have never found it humiliating to admit it. The trouble is to convince the minister that he is wrong. I am sure that this would be helpful to the people who have to pay the bills.

Mr. ILSLEY: I have no objection to giving this some consideration and studying the methods employed in other countries. I must say that I do not know much about them. I am under the somewhat general impression that in Great Britain, whose methods we follow, the greatest secrecy is preserved in the preparation of a budget. Business is not consulted to any great extent, nor is anyone else. I think the economists probably have the same influence there that they have here and with the treasury of the United States. I think myself that that is all to the good. Economists are likely to approach a matter from the point of view of the general interest rather than any particular interest. It is extremely difficult for a business man to adopt this general attitude, and in saying that I do not want to say anything against them.

Mr. HANSON (York-Sunbury): I appreciate that.

Mr. ILSLEY: It is extremely difficult for a business man to make an unprejudiced and unbiased approach.

Mr. HANSON (York-Sunbury): Therefore you could not accept their recommendations one hundred per cent.

Mr. ILSLEY: The leader of the opposition is suggesting that we go United States in the preparation of our taxation. As he knows, we have been pretty faithfully going British in this connection. I have no reason to think that the United States method is the better method. For example, let us consider some

features of this budget. The changes in the excess profits tax adversely affected the prices of certain stocks.

Mr. HANSON (York-Sunbury): They resulted in a cut in dividends, and there will be more cuts.

Mr. ILSLEY: They forced the corporations to cut dividends. The banks are cutting their dividends, and sooner or later other companies will have to do likewise. Let us say that we had a committee considering the changes in the excess profits tax. It might become fairly apparent at a certain stage that certain action was to be taken. I cannot see anything to prevent speculators in shares from gaining a profit because of the advance knowledge they might obtain from the deliberations of the committee.

Mr. HANSON (York-Sunbury): Does that happen in the United States?

Mr. ILSLEY: I do not know whether it does, but I do not see anything to prevent its happening here. One of the reasons why I delivered the budget in the evening this year instead of the afternoon was that I felt that if it were delivered in the afternoon there were clever, facile individuals who would immediately see the effect it would have upon the prices of certain stocks and profit thereby. Another reason was that there was to be a heavy retail sales tax, and there would be the possibility of a rush to buy goods the day before the tax came into effect. Of course that was not very serious, but there are times when these are serious considerations, especially in dealing with tariff matters.

Year after year we have worried about the effect of advance knowledge, and we do everything we can to discourage newspapers from publishing surmises and conjectures as to the budget, lest the public be affected thereby. This budget was prepared through the efforts of fifteen or twenty very able men, who worked on it with me for months, and who kept their counsel. There was not the slightest hint of a leakage of any kind, even in connection with decisions made weeks before the budget was brought down.

Mr. HANSON (York-Sunbury): Nevertheless stocks were tumbling for a month before. Look at Bell Telephone.

Mr. ILSLEY: There were other causes for that. I am saying that there was absolutely no leakage.

Mr. ROSS (Moose Jaw): American Telephone was falling in the United States. Mr. HANSON (York-Sunbury): That was a long time ago.

Mr. ROSS (Moose Jaw): It was at the same time.

Mr. ILSLEY: I do not think a case has been made out against our method of preparing a budget. It is the English method and from what I know it is highly preferable to the United States method. Apparently the committee in the United States becomes a battleground of conflicting interests. I presume they employ counsel and send experts to fight to protect their position. Here the greatest care is taken not to introduce provisions that will be ruinous or discriminatory. If a mistake is made, it is corrected after the budget is brought down. The next day after a budget is brought down telegrams begin to pour in from those affected by the new taxes, and protests are made against the imposition of this, that or the other tax. Take the hon. member for Rosedale (Mr. Jackman) for example. He thinks it is a terrible thing for business not to have more to say in writing a budget. He is the exponent of business when he objects to every tax. I think he has objected to practically every tax; I do not remember a thing that he has favoured.

Mr. JACKMAN: I really object to the Minister of Finance saying' that. Every time anyone wants to iron out some inequality he should not be said to be representing the business man. I suppose when I was talking about the poor young lady who is buying a chest of silver that I was speaking for business. But the minister must admit that in his proposals there are some things which are not practical. I know that changes have been made, not because of any influence hon. members may have over the minister but because he listens to someone outside in whom he has confidence. I should like to refer to one section to illustrate my point.

Resolution 5 amending the Dominion Succession Duty Act provided that the proceeds of life insurance policies if the deceased was domiciled outside Canada (1) at the time the contract was entered into and (2) at the time of his death and (3) further that the beneficiary also was resident outside Canada, shall be exempt from duty. The merest tyro in business or insurance would know that that provision would destroy the possibility of any of our great Canadian insurance companies doing any business whatsoever in the United States or in any other country outside Canada.

Mr. ILSLEY: No, I do not agree.

Mr. JACKMAN: The minister does think so?

[Mr. J. G. Ross.]

Mr. ILSLEY: No, I do not think so, after hearing the insurance companies on the point. They did not go nearly as far in their own behalf as the hon. gentleman has gone in their behalf.

Mr. JACKMAN: Why should a person in the United States take out an insurance policy with our Canadian companies when he will have to suffer succession duties in Canada and have his own succession duties in the United States? It would be an intolerable situation. I am not suggesting that I know more about insurance than the insurance companies themselves. They have put forward their point of view, and the minister has withdrawn his proposal.

Mr. ILSLEY: Not for that reason. The main reason for withdrawing it is a legal point, and that is that the effect of it is limited because the situs of documents under seal is the place where the document and the seal are found.

Mr. JACKMAN: If I were an American I would never take out a policy through a Canadian insurance company if I knew I had to pay succession duties in Canada.

Mr. ILSLEY: You would not have to do it in ninety-nine cases out of a hundred because you would be domiciled in the United States and your beneficiary would be domiciled there, and therefore you would be all right. I wish the hon. gentleman would not use such extreme language as to say that the merest tyro in business would know he was ruining the insurance business in Canada. He goes so very much further on behalf of them than they do themselves that he spoils his case.

Mr. JACKMAN: I do not want to overstate my case, and perhaps the minister is right. But it would hurt their business anyway. Last year we had the withholding tax on coupons of provincial bonds, and the minister changed that. Surely that resolution does betray a lack of practical business experience on the part of the minister's advisers.

Mr. ILSLEY: I could make a very effective reply by saying on whose advice I did that, but I won't.

Mr. JACKMAN: The minister and I had a heated argument last year—

Mr. GILLIS: What is before us, Mr. Chairman.

Mr. HANSON (York-Sunbury): He is quite in order.

Mr. GILLIS: He is discussing insurance and how the minister puts forward his budget proposals. I want to say something on the excess profits tax before we leave this. Mr. HANSON (York-Sunbury): You will have a chance. We are still on the method of approach in the preparation of a basis qua excess profits, and I think the hon. member is quite in order.

Mr. GILLIS: He was in the United States a moment ago, discussing insurance companies.

The CHAIRMAN: I have allowed a little latitude on section 1 because no one has raised objection, but if objection is taken, I do not think the general policies of the minister in bringing down a budget can be linked up with section 1, the only effect of which is to add the proviso in paragraph (i). That proviso reads:

Provided that standard profits shall not include for the purposes of this act property in any form received by a taxpayer deemed to be the payment of a dividend under section 19 of the Income War Tax Act.

It would take quite a stretch of the imagination to see how the general policy in bringing down a budget could be covered by that amendment.

Mr. GILLIS: Mr. Chairman, as I understand the clause under discussion it deals specifically with the newsprint industry and makes certain provision whereby that industry might meet with a board of referees to determine whether or not they come under the Excess Profits Tax Act, and on this section I think the discussion should be specific.

I was very much struck with the concern of the leader of the opposition for those employed by that industry. The hon, member for Rosedale is always very much concerned over widows when discussing excess profits.

What I had in mind was this, that the act as it is at the present time, rather than guaranteeing the peace-time profits of the newsprint industry is merely for the purpose of seeing that they share in any excess profits that can be made by virtue of the fact that the country is at war. I hope that neither the leader of the opposition nor any others in his group will not later in the session, when matters that are urgent and important to other members of the house come up, rise in their places and show that they are in a hurry to go home, because the discussion that was precipitated here this afternoon has, in my opinion, very little justification. No one in this country is guaranteed his peace-time standard of living like this particular industry is being guaranteed its peace-time profits, as I understand it.

Mr. ILSLEY: That is not correct.

Mr. GILLIS: That is what I am trying to find out.

Excess Profits Tax Act

Mr. HANSON (York-Sunbury): These are companies that did not have standard profits.

Mr. GILLIS: My understanding of the excess profits tax is that the standard is taken from the average in the last three normal years of operation.

Mr. ILSLEY: Four years.

Mr. GILLIS: The average profit made during those years is considered to be the standard profits.

Mr. HANSON (York-Sunbury): What if they did not have any profits?

Mr. GILLIS: Then they would not be in business.

Mr. HANSON (York-Sunbury): Oh, yes, they would. That is where my hon. friend is mistaken.

Mr. GILLIS: The newsprint industry in Canada was not on relief. It went through a boom after the outbreak of the war, although there has been a slump recently because of the power situation.

Mr. HANSON (York-Sunbury): Because of the volume of sales and transportation difficulties.

Mr. GILLIS: What I have in mind is this. We have had reports from a large number of the employees of that industry who have lost their work because of the slump in the industry, and they have not been guaranteed any peace-time standard of living. They have not been guaranteed a job. They have been "considered" on this basis, that your job is to find a job for yourself, and to a large extent they are doing that. Every one of our peace-time industries which is considered non-essential has been drastically affected because of the war. Gasoline retail dealers, for example, were legislated out of business. No regulations were brought down on their behalf; no one pressed the case for compensating them or guaranteeing them the standard over the last four years. They just went out of the picture. They are absorbed in other industries. Many of them closed up their businesses and took carpenter's tools or a pick and shovel. I think it is ill-advised on the part of the leader of the opposition to take up the time of the committee in fighting for a readjustment of what I consider is a more than fair arrangement when regarded in the light of what has happened to others in that industry. The workers must go and find a job for themselves. If the newspaper industry is not essential to the war effort, while power is, and the newspaper industry is closed up, I

do not think the taxpayers owe that industry anything unless the whole operation is taken under examination and considered at the same time and on the same basis. In my opinion the arrangement proposed by the minister is more than fair—the arrangement for the board.

Mr. JACKMAN: The hon. member does not understand it.

Mr. GILLIS: I understand it perhaps a little too well for the hon. member. Arrangements are made for the board of referees to take any section of these operations under examination in order to determine whether they have been making profits over the last four years and to arrange that the industry be kept in operation. That has been done for no other section or stratum of society in this country that I know of, except those in the upper crust whose friends on the right go to bat for them when they are threatened in any way, shape or form.

Mr. HANSON (York-Sunbury): Of course the speech to which we have just listened is a roorback from yesterday. I am going to ask the minister, on his responsibility as minister, and with the full knowledge he has, to give the hon. member, and those for whom he pretends to speak-not those for whom he speaks, but for whom he pretends to speakthe true situation with respect to depressed industries. May I call the attention of the hon. member for Cape Breton South to a statement I made in this chamber not long ago, that labour in this country is interested in its jobs, and that labour is often misrepresented by these professional politicians, theorists and schoolteachers.

Mr. ILSLEY: We keep drifting away from the section, but I should like to explain the theory and principle of the Excess Profits Tax Act for the benefit of the hon. member for Cape Breton South and one or two of his associates who, I have felt, have not completely understood it.

It has been said, I believe by the hon. member for Yorkton and certainly by the hon. member for Cape Breton South, that in some way or another certain profits are guaranteed industries as a result of the Excess Profits Tax Act. That is not so.

Mr. CASTLEDEN: I do not believe I ever said that.

Mr. ILSLEY: I have heard the hon. gentleman from time to time ask who gets their profits guaranteed except these companies? I just want to point out that all these companies are in danger of running into a loss all the [Mr. Gillis.] time and that there is no guarantee of the standard profits. 'That is the essential point I want to make. The standard profits are ascertained for entirely another purpose, not for the purpose of giving companies a guarantee that they will make them. They do not get that guarantee at all. They may or may not make profits. They may run into a loss, as I think certain companies will do this year who are selling automobiles.

Mr. GILLIS: They do not come under the Excess Profits Tax Act?

Mr. ILSLEY: They do, provided they make profits of more than \$5,000. All except some very small companies come under the act. The whole range of business in Canada, whether the companies are incorporated or not, comes under the act, except small ones making under \$5,000 a year. The government does not guarantee anybody any profits; it ascertains those profits for the purpose of determining what the normal excess will be, the excess over the average profits of the four years before the war.

Mr. CASTLEDEN: The standard profits.

Mr. ILSLEY: Yes. But there will be anomalous cases, cases where it would be unfair to take the average of the four years as the standard profits, because it is obvious that they are not the normal profits of the company. With relation to these depressed industries, provision is made for them to apply to the board of referees to get something other than the actual average of the profits of those four years. Once that is determinedand there have been already, as I have told the leader of the opposition this afternoon, three or four hundred determinations of those cases -and we have a competent board sitting to determine them, then the taxing authorities are in a position to know what the excess is over the standard profits, and they are in a position to tax that excess. But there is no guarantee of profits. That is the reason from our point of view-from the non-socialistic point of view, if I may put it in that way -for permitting people profits of more than a bare, fixed amount. It is because of the danger of losses; it is because they are risking their capital, and go into the red certain years and nobody does anything for them. That is just too bad, but it is just their worry. Therefore we think it is fair that there should be some leeway in the good years. One hundred per cent excess profits tax without any return takes the whole excess away, even though they may go away down in the red afterwards. From a non-socialistic point of view we think that is a little too rough, and while we take the whole 100 per cent away, we allow them

4668

20 per cent to shoot at. We think that makes for economical and efficient management, makes them careful about not throwing their money away and demoralizing their business. That is why we do not favour a full 100 per cent excess profits tax.

Mr. GILLIS: Do you declare the newsprint industry a depressed industry? You are prepared, are you not, to assist that industry now as a depressed industry?

Mr. ILSLEY: No; it gets no assistance as a depressed industry. This simply means that, instead of first taking the average of the profits of that industry or certain units of the industry for four years—

Mr. JACKMAN: If it had any profits.

Mr. ILSLEY: If it had any profits—and some of the companies may not have had any profits at all, or infinitesimally small profits, I do not know—you take a higher level which is based on certain principles applied by that board. That does not mean that they get any assistance from anybody; they do not get a dollar. It only means that we do not take so big an excess.

Mr. GILLIS: What is the basis? Do you take the last four years' operations, or what four years?

Mr. ILSLEY: I do not know whether it is determined or not, but for a depressed industry the most that can be allowed any industry is 10 per cent on its capital.

Mr. JACKMAN: Subject to the 40 per cent tax. The hon. member does not know that.

Mr. ILSLEY: There is a 40 per cent tax, no matter how small the profits of the industry. But the most that can be allowed any industry is 10 per cent—it may range down to 5 per cent—on the capital. It is often very hard to determine what the capital is by the way, when I hear these suggestions that we should ascertain the capital of all industry in Canada-that is one of the Cooperative Commonwealth Federation proposals; I do not want to open up a big debate on that-and allow all industry 4 per cent and take the rest. It would be just about impossible to do that on any fair basis. The discrimination would be terrible when you came to try to apply the principle and ascertain what the capital actually is. It is not a matter of getting the evidence; it is a matter of applying the principle.

The reason why there is a sliding scale between 5 and 10 per cent on capital in these depressed industries is that in some industries there is little risk and in others there is greater risk. That is the essential difference. There will also be differences in capital structure, as the Minister of National Revenue has shown this afternoon, but the main difference is the nature of the industry. If a person is in one of the feast and famine industries where you have losses for years and profits for years, 10 per cent may be slim. On the other hand for a public utility 5 per cent is plenty. Therefore provision is made for allowing from 5 to 10 per cent on capital in depressed industries.

It may be asked, how determine the capital there? It is a manageable proposition there. The normal thing is to take the experience, to take what they actually did earn over the range of the business. That can be ascertained. But this ascertainment of capital, to be workable, must be kept within manageable proportions.

Mr. HANSON (York-Sunbury): Did the minister make it clear that no one is guaranteed profits?

Mr. ILSLEY: Yes, I did.

Mr. HANSON (York-Sunbury): Because the hon. member's whole assertion is based on the theory that under this tax structure someone is being guaranteed something.

One other point in connection with the excess profits tax and the budget is its effect on shareholders. Has the minister visualized this, that as a result of the fall in capital values people may sell their shares and invest in government bonds? How is that going to affect his taxation prospects?

Mr. ILSLEY: What is the question?

Mr. HANSON (York-Sunbury): My suggestion is that the new budget has had an adverse effect on capital values of shares.

Mr. ILSLEY: Some.

Mr. HANSON (York-Sunbury): Some, yes. None of us know yet what the full effect will be. To see what the effect really is you perhaps have to go to a wider area than Canada. Look at American T. & T. and see how that has shrunk under the effect of new taxation, a huge shrinkage in capital value, I think from 160 to 112 or thereabouts. I have been told that the taxation on that company will be equivalent to \$4 or \$5 a share. Assuming the public get the idea that there is going to be more and more taxation on dividends and the like, which constitute personal income; is there not a tendency to say, well, I will be safe and protect my capital; I will sell out and put it into government bonds. What is the effect going to be on the revenue?

Mr. ILSLEY: How does it affect the revenue?

Mr. HANSON (York-Sunbury): It will affect the revenue from that man's holdings.

Mr. JOHNSTON (Bow River): Did I understand the minister to say that no company is guaranteed a profit?

Mr. ILSLEY: That is correct—not under the Excess Profits Tax Act. What has the hon. gentleman in mind?

Mr. JOHNSTON (Bow River): There are industries in Canada that are guaranteed a profit. It might not come under the Excess Profits Tax Act, but the impression might be wrongly taken by some hon. members that no companies are guaranteed a profit. That would not be correct.

Mr. ILSLEY: What is the hon. gentleman thinking about?

Mr. JOHNSTON (Bow River): In the aircraft industry, for instance, some companies are guaranteed a profit.

Mr. ILSLEY: No, they are not. On certain contracts they get cost plus so much. They are not guaranteed a profit on their total operations.

Mr. JOHNSTON (Bow River): They are guaranteed a profit on that contract.

Mr. GILLIS: Which is their total operation in most instances.

Mr. CASTLEDEN: I understand the board of referees decide what is a standard profit. Is that their function?

Mr. ILSLEY: In a depressed industry, yes.

Mr. CASTLEDEN: A war industry at the present time will, I presume, be in its feast stage. Do they spread over some war industry all the profit that company has been making since 1918? How do they determine the basis in that case? These companies which in peace time were engaged in some manufacturing business have changed their whole industry. Does the board of referees take into consideration the capital invested by such a company and the losses they were making in peace time and level that with what they are making now, or do they look forward to what that company might be doing ten years from now? How do they determine the basis of standard profits in that case?

Mr. ILSLEY: I am not sure about the principles they apply, but they would start with the years 1936 to 1939 inclusive. Those are the years which prima facie determine the standard profits of a company. If the [Mr. R. B. Hanson.] company argues that it was depressed for that period, I do not know just how it proves its case. I presume, if it had been losing money, actually in the red for the whole period, there would not be any doubt about the matter, because that would obviously be an abnormal condition for a company incorporated to make a profit. But some assessment of the proper or fair return on capital would be made for that class of company, and they would be allowed that, not less than 5 per cent or more than 10 per cent on the capital. That, I presume, would be the approach the board of referees would make. It must be borne in mind that I am not in touch with what the board of referees is doing. I knew about the act at the time it went through, and the intention in framing the act was as I have stated. When I say they cannot get more than 10 per cent under any condition, that does not apply to new companies. New companies are entitled to the rate of return normal to the business, and the board of referees fix that, although that may be difficult. What I am saying is correct in the main; that is the underlying principle. Provision is made for some exceptional cases in order to meet particular hardship cases.

Mr. CASTLEDEN: The board of referees would have to determine the actual capital for these companies?

Mr. ILSLEY: For the depressed companies; that is right.

Mr. CASTLEDEN: And the minister says that might be difficult.

Mr. ILSLEY: Yes, but the definition is a long, carefully drawn definition, with every clause worked out. Roughly speaking, the definition is based on this, that it is the cost of the assets less depreciation, and less debts owed by the company. That is the general principle for determining capital. Not the par value of the shares; that does not mean much.

Mr. CASTLEDEN: That brings in the other point that I want to bring up. In the case of an agreement under the War Measures Act whereby some special allowance is made in consideration for some construction, say the enlarging of their plant to the extent of \$34,000,000, as I believe was done with International Nickel, whereby \$5,000,000 a year is allowed to that company for depreciation and depletion, will that not reduce the profits of that company to the extent of \$5,000,000 a year?

Mr. ILSLEY: Yes, for taxation purposes.

1670

Supply-Agriculture

Mr. CASTLEDEN: For instance, we will say the profits for the year were \$12,000,000 and that the standard profits ordinarily would have been \$3,000,000. Their excess profits in that case would be \$9,000,000. If you make this special allowance for depreciation or depletion, that will reduce their profits for the year from \$12,000,000 to \$7,000,000?

Mr. ILSLEY: That is right.

Mr. CASTLEDEN: Your standard profit will still be \$3,000,000, and therefore the portion taxable for excess profits will be only \$4,000,000?

Mr. ILSLEY: Yes, but note this, that at the end of the five-year period the profits for taxation purposes shoot right up, because their depreciation is very largely written off. This merely advances depreciation, and it is not always an advantage to a company to take all its depreciation early. They are running a chance when they do that. Sometimes it is an advantage to spread depreciation over quite a period. In the case of International Nickel, however, I should like anyone who studies that agreement to ask any questions about it at any time, because it is a highly advantageous agreement to Canada. Under it, International Nickel brought in about \$34,000,000 in United States money and invested it here, and they are taking out their ore very rapidly as a result. Naturally their profits would be swollen out of all relation to normality by that abnormal operation; and it would not be fair to expect them to undertake that highly abnormal operation without a rapid write-off of the investment by depreciation. If it should turn out that they are getting some permanent benefit it might be different, but the faster the depreciation is written off, the greater will be their profits in future years.

Mr. JACKMAN: And the greater will be the tax on future profits.

Mr. ILSLEY: And the greater the tax will be on the profits in future years, unless there is a reduction in the rate of taxation.

Mr. CASTLEDEN: It is not likely that the rate of taxation will be so high in post-war years.

Mr. ILSLEY: It might not be.

Mr. CASTLEDEN: And their plant will be increased in value to the extent of \$34,000,-000, while the depreciation of \$25,000,000 will have been written off. Therefore it will cost the company actually about \$9,000,000.

Mr. GILLIS: As I see it, whether or not this act is going to be of any benefit to the country will be determined largely by those who sit as referees. How are these boards of referees selected? The newsprint industry is depressed. You would not call in the heads of that industry to sit in judgment on their own case, as we have done in connection with the dollara-year men here?

Mr. ILSLEY: Under the act I believe the Minister of National Revenue selects the referees.

Mr. GILLIS: Will they be civil servants, responsible to the government?

Mr. ILSLEY: There is a board which has been in existence for a year or two, of which Mr. Justice Harrison of Saint John is the chairman. The other members are Mr. Dalglish of Montreal, an eminent and able chartered accountant and former president of the dominion association of chartered acountants, and Mr. Fell of Toronto, who at the time of his appointment was associated with one of the life insurance companies either as director or president. The board is highly regarded for its ability and fairness.

Mr. GILLIS: I am quite satisfied with that line-up. You have a judge at the head of it, and the minister has some jurisdiction over the board. I thought the selection might be made in the way that the government has chosen a number of the people who are really managing the country to-day, the dollar-a-year men, the heads of industries who really have been called in to act as sales agents for their own companies.

Section agreed to.

On section 2-Persons liable to tax.

Mr. ILSLEY: There is an amendment to be moved to this section, but I should prefer to have the committee rise, report progress and ask leave to sit again rather than go ahead with this act, because I want to give some attention to it and a little more thought than I have had time to devote to it so far.

Progress reported.

SUPPLY

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

DEPARTMENT OF AGRICULTURE

Administration service.

2. Publicity and extension division, \$108,715. Mr. GARDINER: For the benefit of those

who have not reviewed what took place the last time we were before the committee, we passed item 1 just before the debate concluded, but we discussed quite fully the publicity and extension division and also touched slightly

Supply-Agriculture

on the advisory committee on agricultural services. The discussion of administration covered pretty well the general questions which might be asked, but I would presume that hon. members would desire to discuss the other items under the head of science service, production service, marketing service and special. Just toward the end of the discussion on the last occasion I noticed that we were inclined to get down to a discussion of acreage payments and things of that kind, which really come under "special", and if we could wait until we reach that item before having any further discussion on those matters it might help us to get through more quickly.

Mr. ROSS (Souris): I do not know that this is the proper item under which to mention it, but the Minister of Finance was asked a question concerning the advisory committee on beef.

Mr. GARDINER: The proper place for that to be discussed, if it is to come up under these estimates at all, would be under "marketing".

Mr. PERLEY: The details of this item are on page 54 of the estimates, and I see there an amount of \$5,755 for the cost of living bonus. I think that is new this year. Would the minister explain it?

Mr. GARDINER: The cost of living bonus is added to the salaries all the way through the list, and that is the amount which covers this particular branch of the service.

Mr. PERLEY: Just for this one branch?

Mr. GARDINER: Yes.

Item agreed to.

Administration service.

4. Contributions to empire bureaux, \$36,274.

Mr. FRASER (Peterborough West): Would the minister explain the item?

Mr. GARDINER: These bureaux were set up some years ago, and are listed at page 54 of the estimates, as follows:

Farnham house laboratory	\$ 6.083	33	
Imperial agricultural bureaux			
Imperial bureau of entomology	5,353		
Imperial bureau of mycology	2,920	00	

\$36,274 00

These bureaux are established with offices in Great Britain to gather information with regard to experimental and scientific investigations in connection with agriculture in different parts of the empire, so that whatever is discovered in one place can be utilized in another.

Item agreed to. [Mr. Gardiner.] Science service.

6. Animal and poultry pathology, \$147,300.

Mr. WINKLER: Has consideration been given to the supply at cost of serum for erysipelas in pigs? Two years ago the service in connection with poliomyelitis was given at cost, thereby cutting the cost to farmers to about one-half. But the cost of servicing for vaccine in connection with young pigs is very high at the present time. Some farmers are spending close to \$100, and if the cost were cut, it would make a great difference to them.

Mr. GARDINER: The department does not supply the serum, but it is purchased in the ordinary commercial way by anyone who wishes to have it. The department, however, supervises the importation of it when it comes from outside, and checks on the different serums put out to deal with diseases of this kind. There is no financial assistance in connection with the purchase of the serum. We have, however, investigated costs. There have been complaints as to costs, but so far we have not been able to find that there have been any excessive charges in connection with the supplying of it.

Mr. WINKLER: The charge may not be excessive, but the profit to the druggist is, I believe, 100 per cent. I have no complaint against the druggist making a legitimate profit, but I think that is a little high.

Mr. TRIPP: There never has been and is not now any profit of 100 per cent or anything like that in connection with the supplying of serum to farmers, or anybody else.

Mr. FRASER (Peterborough West): There should not be any profit.

Mr. TRIPP: You would not expect anyone to handle it for nothing, would you? The druggist does not charge any more than the government does for such products. Druggists handle them at the same price. They might get a 10 per cent discount for handling, but the price at the drug store is the same as the price from the government department.

Mr. FRASER (Peterborough West): Could people not send to the department directly for the serum?

Mr. TRIPP: I think they do sometimes. I know in my own province the serum for poliomyelitis is handled by both the department and the distributors. It is not always done through the druggists; sometimes the municipalities handle it. However, it is all supplied at the same price. If the municipalities distribute it they get the same discount as do the druggists. The retail price is

4672

marked on the package, and the price received by the druggist is not increased in any shape or form. I do not wish the committee to think anyone is making 100 per cent profit; that is absolutely wrong.

Mr. SENN: I should like to ask about the serum sometimes used in the treatment of Bang's disease, one of the most scurrilous and damaging diseases in Canada to-day. I understand the agricultural college at Guelph has a serum it is willing to distribute, but there is something in the federal act which prohibits its doing so. Has any advance been made in connection with preparing a serum which will deal effectively with this bad disease which is causing so much trouble in our dairy herds?

Mr. GARDINER: I presume the hon. member has in mind the calf vaccine, which is made in the United States. It is produced in Canada now, although it was not made here originally. During the last year permission has been given to distribute it in Canada.

Mr. SENN: In addition to the vaccine for calves I understand there is a serum used in the treatment of cows in calf, and that there has been a prohibition in connection with its coming into the country. There has also been prohibition in connection with distribution from time to time. I know it has been used by veterinaries with very good results, and I trust that the prohibition will not be continued.

Mr. GARDINER: The department does not recognize the use of any serum for older animals. There is a calf serum or vaccine used as a preventive. Then, the department does test cattle for Bang's disease. In other words, it checks them to find out whether they react, and if there is positive reaction their destruction is advised.

Mr. SENN: I am trying to find out whether the importation of serum used in connection with the more aged cattle is prohibited, and if it is prohibited to use the serum provided by the agricultural college at Guelph. I know that serum has been used with very good effect at times, and I would hope, if there is any ban on the importation or use of serum, that at least in the hands of veterinaries it might be allowed.

Mr. GARDINER: The information I have from the officials is that my hon. friend must have in mind the calf vaccine. The serum containing live cultures is not permitted to be imported.

Mr. SENN: I was asking if that prohibition should be done away with.

Mr. GARDINER: There is no permission for the importation of the serum containing live cultures, and the only vaccine of which we are aware, which is sometimes used, is not used on the older animals.

Item agreed to.

Science service.

8. Botany and plant pathology, \$282,582.

Mr. WRIGHT: How far have we gone in the development of rust-resistant barley?

Mr. GARDINER: I would suggest that we leave that until we are discussing the estimates for experimental farms. The officials before me are not experimental farm officials.

Mr. HATFIELD: Will the decrease of \$2,515 have any effect on the service?

Mr. GARDINER: As a matter of fact we are not cutting out any services or officials; it is simply a matter of general economy.

Item agreed to.

Science service.

9. Agricultural chemistry, \$102,881.

Mr. CASTLEDEN: What work is being done by this branch?

Mr. GARDINER: From the experience which the hon. member has had along certain lines he will know that chemistry is the basis of practically all studies in connection with agriculture. Soil studies are based upon chemistry, as are the constitution of plants and other matters of that kind. The chemical branch provides all information used in connection with studies of this kind.

Mr. CASTLEDEN: In the United States they are carrying on extensive research work in connection with plastics and other byproducts of agriculture. Is any provision being made for the greater utilization of agricultural by-products?

Mr. GARDINER: The Department of Agriculture may provide information which would form the basis of certain studies, but these are carried on largely by industrial chemistry. That work would come under the Department of Trade and Commerce.

Mr. CASTLEDEN: The Department of Agriculture is not carrying on any extensive work?

Mr. GARDINER: Not along those lines. Item agreed to.

Science service.

10. Entomology, \$450,854.

Mr. FRASER (Peterborough West): Some time ago the department advertised for an artist, but it was specified that he should be male. I have had inquiries from young ladies who have attended art schools and colleges and who want to know why they were not given an opportunity to apply for this position.

Mr. GARDINER: The artists that we employ in the department must go out into the fields, into the forests and among animals in order to make drawings and pictures of the different types. It was thought advisable to have them male.

Item agreed to.

Experimental farms service. 12. Central experimental farm, \$585,130.

Mr. DIEFENBAKER: Last year I inquired about the farm at Rosthern, and I should like to have a statement from the minister as to what disposition has been made of this farm and the animals and equipment, whether the land has been sold to anyone and, if so, to whom and at what price. Last year the minister stated, as I remember it, that while some effort had been made to effect a sale, or that tenders had been called for, nothing had been done up to the time the estimates were before the committee.

Mr. GARDINER: The farm has not been sold; it has been rented to Mr. Friesian, who made an offer for it. The live stock has been transferred to other farms, and most of this stock is still in the province. I think by far the greater part was transferred to Melfort.

Mr. DIEFENBAKER: In the lease to Friesian is there any option to purchase?

Mr. GARDINER: No.

Mr. ROSS (Souris): The hon. member for Melfort (Mr. Wright) asked about rust-resistant barley. Could we have a statement as to what work has been done along these lines?

Mr. GARDINER: Some investigations have been carried on in connection with rustresistant barley, but they are not by any means completed. Certain types have been developed which resist certain types of rust, but we have not yet been able to obtain a variety free from leaf rust. Further work is being carried on in this direction.

Mr. WRIGHT: Are they being distributed commercially?

Mr. GARDINER: No.

Mr. FRASER (Peterborough West): Why should \$18,040 be paid for feed in connection with an experimental farm of 827 acres? Is it impossible to grow this feed on the farm?

Mr. GARDINER: If the hon. member were to look over this farm he would see that a [Mr. G. K. Fraser.] considerable part is taken up with experimental work in connection with hedges and horticulture generally, while other parts are utilized for experiments in the production of grain crops. Herds of live stock of different kinds are kept for experimental purposes, and feed is required for these. The object of running an experimental farm is not to produce a certain amount of grain to feed the live stock; it is to consider the different methods of utilizing different crops and other work of like nature.

Mr. ROSS (Souris): If feed grain is shipped from a branch experimental station, would it be treated simply as a bookkeeping entry, or is all this feed purchased from outside sources?

Mr. GARDINER: Very little is transferred, but when it is transferred it is treated as a book entry; it becomes a sale at one place and a purchase at the other.

Mr. PERLEY: What is going on with respect to investigations into new rust-resistant wheats? As the minister knows, certain strains of rust-resistant wheat run out after a period of years. Is this work being kept up? Is there anything in prospect? Have any experiments been carried on at the western experimental farms in connection with the production of beets for sugar? I understand that some experimental work was carried on last year in the Qu'Appelle valley and other places.

Mr. GARDINER: From the hon. member's knowledge of the farm which is in his own constituency, I think he knows that this work is being carried on more extensively this year than at any previous time. New strains of rust-resistant wheat are being developed continually. As has been stated, after a period of years some varieties of rust-resistant wheat go back to a position where to a certain extent they are subject to rust. New varieties and new strains are being developed continually to overcome any weaknesses in the varieties that have been in use.

Mr. QUELCH: What is the main objection to using Regent wheat? I notice from the government reports that it is a very heavy yielder and rust resistant, and yet the farmers are discouraged from using it.

Mr. GARDINER: Regent is a nicer looking wheat than Thatcher, and probably gives a better sample, but it is not as good a yielder as Thatcher. Many farmers prefer Thatcher because of the heavier yield and therefore higher return per acre. I think that is the real reason. Mr. HATFIELD: Have any experiments been made with Russian dandelion which has a high rubber content?

Mr. GARDINER: We are working on it this year for the first time. We have secured seed from the United States, and some of it has been sown at the experimental stations.

Mr. CASTLEDEN: I notice that the services of the apiarist are being dispensed with, which seems strange in view of the expanding demand for honey.

Mr. PERLEY: What about beets?

Mr. GARDINER: There is selection work being done on sugar beets at the farms. I think what the hon. member has in mind is what we discussed last year with regard to certain checks being made on the growing of sugar beets in the Qu'Appelle valley. The only work being done in that direction is being done by the provincial government.

Mr. MacNICOL: Sometimes I have criticized the minister, but I am always pleased when I can give him a pat on the back. I want to compliment him upon the splendid experimental farm at Beaverlodge, Alberta. I happened to call there last summer and spent a couple of hours looking over what was being done in horticulture for the beautification of farms all through that part of Alberta, and experiments in producing all varieties of grains and vegetables. I was so amazed with what I saw that I made up my mind when I returned to Ottawa I would pat the minister on the back for the good work he is doing there.

Mr. GARDINER: Thank you.

Mr. STIRLING: Some time ago experiments were being carried on, the minister told us, with regard to finding a soya bean variety which would be suitable to the growing period of southern British Columbia and southern Alberta. How far has that experiment progressed?

Mr. GARDINER: As a result of the experiments which are being carried on we have two varieties, Pagoda and Cabot. They are both yellow beans that are produced, and they are being more widely distributed this year than ever before because we are desirous of producing soya beans to get a further supply of vegetable oils. We found that the seed supplied had been so completely taken up last spring, largely by people who were desirous of trying it out for themselves, that when we tried to get soya bean seed for sowing in connection with irrigation districts in western Canada we found it very difficult to obtain, and we could get only small quantities. Mr. STIRLING: Was any distributed in southern British Columbia?

Mr. GARDINER: There was no request made for distribution in southern British Columbia. They imported their own.

Mr. WRIGHT: These branch farms fill a very great need in the agriculture industry. I would call to the minister's attention the development in northeastern Saskatchewan, in the White Fox area, with regard to alfalfa seed. From five to six million pounds of alfalfa seed were produced, and there is a real need for an experimental station here to conduct experiments with alfalfa. It is a crop about which we have much to learn. One year the seed sets; another year it does not, and we do not know whether the cause is the weather. soil condition, or what. There is a small station at White Fox, but it is not on the real alfalfa type of soil. There was some thought last year of establishing an experimental station further west on the real alfalfa soil. I would urge upon the minister that something be done along that line, because alfalfa in that section represents probably 90 per cent of the farmer's livelihood, and in years in which there has been a total crop failure it has been necessary to distribute a good deal of relief. There is a real necessity for some further study in the production of this seed.

Mr. GARDINER: There are five illustration stations in that area. As my hon. friend knows, there is a certain type of soil, what is called grey soil, which is most suitable to growing alfalfa. Some of the stations are located on that soil, and some are located on the different soils in that area which, so far as we know, are not so well suited to growing alfalfa. We are experimenting with both types of soil, because it would be an advantage to be able to grow alfalfa on a different type of soil from that on which we are succeeding with it now, and it would also be a means of utilizing further land. Therefore we have stations on both types of soil. With the farm located at Melfort, which is not very far away from that district, and another at Brandon, it probably would be considered too costly to establish what might be known as an experimental farm in the White Fox area just to experiment with alfalfa alone. The work is being carried on through illustration stations largely.

Mr. WRIGHT: I realize that. I have been on several of these illustration stations, but they are small stations carried on by individual farmers. No extensive work is being done on them. While I would not advocate the establishment of a complete experimental farm in that area I think a little more technical work could be done on one of these stations, on one of which a full-time man could be employed to carry on this work, which is important to that section of the country.

Mr. GRAYDON: It would seem that in the White Fox area they are having the same difficulty in growing alfalfa that we had in our part of the country. For no special reason that any farmer can ascertain alfalfa will produce good seed for a number of years, then all at once a whole section will go completely out, and no decent seed can be obtained for a number of years. That happened on our own farm at home. Whole districts were affected in the same way. It is a problem which is general, I presume, throughout the east and the west.

Mr. QUELCH: To what extent has there been development of sugar beets, and what are the main obstacles to further development in order to take care of the sugar supply?

Mr. GARDINER: There has been an increase in Alberta and a decrease in Manitoba and Ontario. On balance I understand there has been a decrease for the whole of Canada.

What the hon. member for Peel states about alfalfa is perfectly true, and it is as a result of the experience we have had in the east that certain work is now being done in the White Fox country. We are experimenting with fertilization of the soil to see whether the qualities for producing alfalfa seed will be retained.

Mr. SENN: Are such experiments being carried on in Ontario? In my locality alfalfa is grown quite extensively, and we have had the very same experience which the hon. member for Peel relates. For some years we can get a good crop of alfalfa seed, and perhaps for two or three years it will be a failure. We have never been able to find out what the difficulty is. Have any experiments been carried out in the alfalfa-producing areas of Ontario?

Mr. GARDINER: I should have said in dealing with the west that the work has been carried on in cooperation with the agricultural college, which is a provincial institution. The work in Ontario is being carried on in exactly the same way, in cooperation with Guelph college, and the experimental work in connection with it is done in the same way, through illustration stations here and there in different parts of the province.

Mr. CASTLEDEN: With regard to the sugar beet acreage, and the answer given, in view of the fact that Canada is on a sugar ration at this time could the minister explain why there has been a decrease in the sugar beet acreage in Ontario this year? Should we not be encouraging farmers to grow as much as they can?

[Mr. Wright.]

Mr. GARDINER: There are two factors which enter into the matter. The labour situation has, of course, a great deal to do with the production of sugar beets, since labour is a very large factor, but there is this in addition. I understand from inquiries I have made that it is not so much a shortage of sugar which causes us to ration it-that is when you take the whole picture into viewas it is the shortage of shipping. There is very strong objection to using shipping for moving sugar from places where it probably is in surplus to places where there may be more or less of a shortage, and it is thought wise to ration sugar rather than to use up as much shipping as would be required to supply it. In our own case here, in the first place it would be difficult, with the labour which is available, to produce enough sugar to supply all our needs.

Mr. HATFIELD: That is all the more reason why there should be an increase in Ontario.

Mr. MacNICOL: You could not get the farmers to do it.

Mr. HATFIELD: Did the wartime prices and trade board have anything to do with this decrease in the production of sugar?

Mr. GARDINER: The main factor in that line is that they are alternative crops. When we guaranteed a price of \$1.95 for soya beans, that had something to do with it. It is a crop, I understand, which can be grown with less labour, and probably the producers think they can make more profit. There was a transfer of acreage from sugar beets to soya beans, also a transfer of acreage from ordinary beans to soya beans, and also a transfer to corn, brought about partly by the feeding value of corn in the production of hogs and live stock.

Mr. PERLEY: Is there any increase in the acreage seeded to beets in Manitoba this year?

Mr. GARDINER: I would doubt if there is any increase this year over last year, but it should be remembered that last year a considerable part of the beet crop of Manitoba was not harvested because of the wet weather in the fall.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. CASTLEDEN: I was asking the minister regarding the estimates for the experi-

Supply-Agriculture

mental farm. Apparently the apiarist was not provided for. Have his services been dispensed with this year?

Mr. GARDINER: The chief assistant's position is vacant. He is transferred to one of the other departments. I should not have said he was transferred; he is doing work in another branch of our own department, the marketing branch.

Mr. MacKENZIE (Lambton-Kent): Before the committee rose at six o'clock there was some discussion of sugar beets. It is true that we have been growing sugar beets in Canada and in Ontario for forty years. We have a capacity in Ontario for processing beets to the extent of about 45,000 acres. Wallaceburg had the first sugar factory in 1902, and that factory operated successfully every year until this year. This is the first year since that time that it is not going to operate. It has developed from a capacity of 600 tons a day to a total tonnage for processing now of around 2,500 tons a day. It has modern equipment. We should grow about 25,000 acres more of sugar beets this year than we are growing. Twenty-five thousand acres at about ten tons an acre, which would be only a very average crop, and about 300 pounds of sugar per ton, would give close to 750,000 hundredweight of sugar. We are rationing sugar, although there is not a definite shortage at the moment. In fact there are quite large supplies, but sugar is being rationed in order to conserve that supply. It is, however, quite possible and even probable that there will be a shortage before another year. The minister gave some of the reasons why the total acreage of beets is not being grown this year. He said they went into growing corn, soya beans and some other lines that did not take so much labour. That is true to a large extent. Nevertheless, if the sugar beet contracts had been offered to the growers a month or six weeks before on the same terms they eventually took, I have no doubt the total acreage of sugar beets would have been grown.

Under normal conditions we import about 80 per cent of the sugar we use in Canada. For years we have been advocating that the sugar beet industry be developed to take care of the situation that has now arisen. Most of our supplies of raw sugar came from countries that have now been cut off, and to-day we have only one source of cane sugar, that is Cuba and the islands round Cuba. That sugar must be carried by rail or truck from points in the United States to maintain our sugar supply this year, so that millions of dollars that would have gone into the hands of workers and producers in Canada will be 44561-295 diverted into long freight hauls, much of which would not have been necessary if this situation had been handled better earlier in the year. Shipping is very hazardous from Cuba to the Atlantic ports; there have been some heavy losses. The present situation should not be permitted to exist for another year. We should at least grow all the sugar beets we can process and handle.

It is true the finance department gives a subsidy or bonus of half a cent a pound which was taken from the excise tax and diverted to the sugar beet grower. But I repeat, if the contracts had been given in time and the matter handled properly we should have had a full acreage and tonnage of sugar beets this year in Canada.

Item agreed to.

Productive Service.

16. Compensation for animals slaughtered, \$375,750.

Mr. HATFIELD: I should like to know the production of sugar from an acre of sugar beets.

Mr. GARDINER: Are we going back? About ten tons of beets to the acre is an average crop.

Mr. HATFIELD: How much sugar would those ten tons produce?

Mr. GARDINER: About 18 per cent of the tonnage of the beets.

Mr. SENN: Is it the policy of the government this year to carry on with the cleaning up of certain areas in connection with tuberculosis? What is being done in the district round Hamilton? I understand that the county of Brant is nearly finished and that the counties of Norfolk and Welland are under way, but what about the county of Haldimand? What is going on in that vicinity?

Mr. GARDINER: It will be remembered that in the first year of the war we tried to cut down our vote for this purpose. We have found it quite costly to maintain the service we were giving in areas in which a considerable number of the herds are under the accredited plan. Therefore we have attempted to bring in under this plan areas of that kind; we have been introducing municipalities in the west and counties in the east where the accredited herds are pretty well up in the total number of herds for the district. In addition, we have been attempting to keep up the checks that are made on the herds in areas already admitted, and under a supplementary estimate which will come down later on we are asking for an extra amount over and above what has been provided here to take care of some of the services for which we

Supply-Agriculture

have not sufficient money at present; that is, to provide for some extra part-time service which was reduced to a minimum two years ago. I shall have the record in a moment with regard to the counties.

Mr. BLACK (Cumberland): Before the discussion concludes with regard to sugar I should like to ask the minister if his department has looked into the possibility of using the sugar refining capacity of the maritime provinces in the refining of sugar from sugar beets. Within the last few months the large sugar refinery situated in Halifax, which has been in operation for many years, producing a large tonnage of standard sugar, has been closed down as a result of transportation difficulties. I should like to hear from the minister as to whether or not his department has investigated the possibility of raising sugar beets on the farms of the maritime provinces, so that the two refineries in that district, the one at Halifax and the other at Saint John, might be able to operate to capacity.

Mr. GARDINER: I would call attention to the fact that we are now on item 16; we have gone far beyond the item under which we discussed sugar beets, though we have gone back to it twice. However, with regard to these refineries in Nova Scotia, as my hon. friend knows they have been devoted to the refining of sugar cane, and that is not a matter which comes within the jurisdiction of the Department of Agriculture. We have not been associated with that end of the sugar business in any way. With regard to the question of whether or not we can produce sugar beets in that section of Canada in sufficient quantity to keep those plants operating at full capacity, of course that is a matter to which we should give and are giving consideration; that is, the extent to which sugar beet production can be encouraged there. Up to the moment, however, the sugar beet production in that part of the country has not been sufficient to keep those plants operating at capacity.

Mr. BLACK (Cumberland): Then may I ask the minister if his department has completed its investigation into the possibilities of producing sugar beets and refining the sugar in the two plants in the maritime provinces? Now that sugar is rationed all over Canada, this becomes a matter of importance. We have this refining capacity, and I should like to know whether there is any possibility of a large production of sugar beets in the maritime provinces which would keep this capacity employed. This is a very important development, important in the interests of the consumer, in the interests of the labourers who have lost their employment at the Acadia

refinery at Halifax, and very important in that it may give the farmers of the maritime provinces another crop to grow.

Mr. GARDINER: As I said a few moments ago, our interest in the sugar beet industry in the maritime provinces has been purely experimental. We do work in connection with sugar beets at all our experimental farms and plots there, but so far as I know this department has had nothing to do with making any checks on the refining of sugar, and we have no data here giving any information with regard to experiments which may have been carried on in connection with such refining. Therefore I am not in a position to give any helpful information in that regard.

Mr. CASTLEDEN: In ordinary times is it possible to grow sugar beets and produce sugar which can compete, as far as price is concerned, with sugar produced from imported cane?

Mr. GARDINER: A great many factors enter into that question. I do not pose as an authority on sugar production in Canada, and of course as far as we are concerned in the Department of Agriculture we are interested only in the product that can be grown on our own farms, namely sugar beets. But the problem which concerns those of us who live in western Canada in connection with the growing of sugar beets in peace time-which, after all, must be taken into consideration, since the present is an abnormal time-is largely that of the market we have for sugar. Our market is practically confined to the prairie section, as a result of the fact that the freight rate on sugar is fairly high. Sugar is a heavy commodity, and shipping costs are high. Therefore we cannot produce sugar to be shipped outside western Canada. There has always been some controversy as to whether we in western Canada should use nothing but beet sugar, in order to make possible the greater development of that industry. There are some who contend that you could not possibly get into the position where you would use beet sugar to the exclusion of any other kind, largely on account of people's tastes and what they think are necessities in connection with certain uses that are made of sugar. In any event a considerable part of the sugar used in western Canada is cane sugar, and probably that will continue to be so.

Mr. MacNICOL: For table use, too?

Mr. GARDINER: I am not competent to discuss all the phases of the matter, but I

[Mr. Gardiner.]

have had several memoranda prepared by officials who have gone to western Canada to investigate the situation. The general conclusion is that the amount of sugar that can be produced in western Canada is limited by the market which exists between Winnipeg and the mountains. On the other hand, as I remember the discussions that have taken place here-and I have attended many of them when delegations representing the beet sugar district in Ontario and the beet sugar district out around Raymond in Alberta have called upon us-the figures show that it costs a good deal more to produce sugar beets under irrigation in Alberta than to produce sugar beets under the conditions which exist in western Ontario. That is another factor which makes it impossible to ship sugar out of that area in Alberta to other sections of Canada.

Mr. RICKARD: Has the government given any consideration to compensation for Bang's disease, under item 16, and has the county of Durham had its second test for tuberculosis, as provided under section 15?

Mr. GARDINER: Haldimand has been admitted, but the tests have not been started there up to this time.

Mr. SENN: Is it the intention of the administration to begin them this year? I have been trying to find that out, because the question has been asked me a number of times.

Mr. GARDINER: I am informed that Haldimand is one of the counties in which it would be almost impossible, if not indeed impossible, to start inspection, under our present policy, because it requires all the money we have available under this vote to take care of retests in the counties to which I referred a few moments ago. Durham has not been retested.

Mr. SENN: Not the second time.

Mr. GARDINER: No. So far as Bang's disease is concerned, we are not paying compensation in connection with cattle slaughtered as a result of that disease. It is not the intention under present conditions to embark upon a policy of that kind.

Mr. WRIGHT: Has there been any serious outbreak of hog cholera in the past year? Two years ago in connection with this particular item there was considerable discussion as to whether the importation of pork from the United States had caused an outbreak of hog cholera which was occurring at that time. Since that time the importation of pork from the United States has pretty well ceased. I was wondering if there had been any connec-44561-2953 tion between the importations and the outbreak of the disease, or if the department had come to any conclusion in that regard.

Mr. GARDINER: There is no conclusive evidence as to whether the importation of hog meat from the United States introduced hog cholera, but the fact is we did have considerable hog cholera about that time. However, that has been cleaned up, and we have had no outbreaks of hog cholera in the last two months. It is presumed that it is fairly well under control at the present time.

Mr. MARSHALL: There is a reduction of \$154,250 in the vote. What amounts were expended for the year ended March 31, 1942? The auditor general's report gives the figures only to the end of March, 1941. Could I have a break-down by provinces for 1942?

Mr. GARDINER: They are not yet broken down by provinces for 1942, but the total amount is \$270,603.33. The reason for the reduction in amount is largely on account of the fact that we are making retests rather than opening up new districts. When we make retests, of course the number of cattle slaughtered as a result of finding tuberculosis is much smaller than when we are opening up new districts.

Mr. MARSHALL: The amount of the appropriation for last year was \$530,000, of which \$270,000 was spent. Therefore in reality this year we shall spend \$100,000 more than was actually spent last year. Is that correct?

Mr. GARDINER: There was a big compensation last year for hog cholera and for other purposes which we do not expect to have this year. We are going to spend less in any event. We are not taking on as many districts as we did last year.

Mr. MARSHALL: Is this figure of \$375,750 not a little exaggerated?

Mr. GARDINER: I am informed that in some of the areas into which we are going this year we anticipate very high slaughterings, and for that reason we expect this amount will be spent. We would hope, of course, that it might not be necessary to do so, but it would not be safe to start in with less than the amount appearing in the vote.

Mr. MARSHALL: Is it the intention before the end of the session to table the minister's report for the year ended March 31, 1942?

Mr. GARDINER: No; the report is not published yet for that year. I believe I did table at the beginning of the session the report for the preceding year. The one to the end of the last fiscal year is not yet published.

Item agreed to.

Supply-Agriculture

Production service.

17. Live stock and poultry, \$705,572.

Mr. SENN: The live stock industry as such is undoubtedly one of the most important parts of the agricultural industry in Canada. If one looks at the estimates, particularly that part under which production services are listed, he will find that the three items covering health of animals, compensation for animals, and live stock and poultry total nearly \$2,700,000, and the total amount to be expended is only \$3,745,947. It is undoubtedly true, therefore, that the department realizes the importance of the live stock industry. However, it is difficult to discuss that industry, and particularly the production end of it, without saying something about marketing. They seem to go together.

Mr. GARDINER: The discussion could come under the vote for marketing. There is a live stock item at that point, and I believe that would be the proper place to discuss marketing.

Mr. SENN: I wish to discuss both ends of it, but if the minister wishes to have it the other way I would not object.

Mr. GARDINER: It would be better if we discussed production in relation to live stock at this point, and then discuss the marketing under the marketing item, thereby avoiding any overlapping.

Mr. SENN: It is difficult to keep them separated. I was going to say that there are certain factors such as the labour market and price which tend to increase production. I do not see how we can separate the two factors, and talk about one without having something to say about the other.

Mr. GARDINER: If it would facilitate matters I would suggest that we might pass these items on the understanding that when we come to live stock marketing we shall not be held absolutely to the item, so that anything in relation to the subject may be discussed.

Mr. SENN: So far as I am concerned I will not hold up the marketing item. If I were allowed to make a few observations now I would have nothing to say about it later. However, I am prepared to follow the wish of the committee.

I was pointing out that labour has a very great effect upon the production of live stock in both the dairy and the beef end of the industry, as well as in connection with pork and other types of live stock produced in Canada to-day. It is undoubtedly true that even yet the farmer is unable to compete in the

[Mr. Gardiner.]

labour market. The price he is paid for his particular class of goods does not enable him to pay the price he would have to pay if he were to secure the labour in the amount required to produce live stock, because, after all, the live stock industry takes more labour than any other part of agriculture, I believe, with the possible exception of fruit production.

We have not had a parity between farm prices and prices of other commodities for some length of time. In fact that is a condition which goes back for years. Little progress has been made along that line, because the natural laws which relate to the marketing of cattle and marketing of other classes of farm products are not allowed to be brought into operation.

Of late years, especially since the war commenced, a number of boards have been set up which have had to do with setting prices and supervising the production of live stock. I have criticized the membership of these boards because of a lack of producer repre-sentation. To-day I asked the Minister of Finance (Mr. Ilsley) about a board which is being set up under the wartime prices and trade board in connection with the beef situation. Again we have the same position. The price will have an effect upon production as time goes on. I have no doubt that if I had been given the names of those who have been appointed to this particular board I would have found that the producers are not represented except through the officials of the department. They are all good men and I know many of them personally, but I cannot see why they would not represent the packers just as well as the producers. Yet on these boards there are packer representatives and representatives of the transportation companies. Where the packers are not interested directly, we find representatives of the buyers and dealers. I have criticized this practice from time to time, and I am sorry the min-ister has not seen fit to place representatives of the producers' organizations on some of these boards. They should not be placed on the advisory boards because those boards have no authority. They can advise, but they cannot make decisions. The decisions are made by the boards themselves.

Price ceilings have been established, and just the other day the minister stated that floors had been placed under certain commodities produced on the farm. That is true up to a certain point. Those floors, however, are not stationary and permanent; they change from time to time. While there may be a floor under an article, we find that from time to time there are fluctuations in the price which the farmer obtains. He does not get the same price every week for his hogs, and the same applies to almost all his products. It seems to me that this is a most unfortunate position, and it is causing a good deal of anxiety and ill feeling among those who are producing cattle.

The action of the wartime prices and trade board has undoubtedly discouraged produc-tion. I think it will be found that the whole cattle trade is in a hopeless muddle. A great deal of confusion has been created in the minds of the producers. These conditions are most unsatisfactory, not only because of their effect upon the cattle producer but because of their effect upon other branches of the industry. The officials of the department know that dissatisfaction and confusion exists, and an attempt has been made to rectify the situation by granting bonuses. Bonuses have been granted on cheese, milk and butter. The wartime prices and trade board has set up a food corporation to alleviate the situation which exists in Ontario and other parts of the dominion. This corporation will purchase cattle which otherwise would go to the United States market, and the cattle will be purchased at United States prices. I understand that the modus operandi is to have a shipment which may be destined for the Buffalo or some other United States market sent into the stockyards at Toronto or some other place. Then the cattle are valued by commission men at United States prices and handed over to the packers at Canadian prices. If I am rightly informed there is a difference of from \$20 to \$25 in the price.

The difficulty is to know whether the farmer reaps the benefit. It is quite easy for a drover to go into the country and tell the farmer that the Toronto or Canadian price is so much. Cattle are sold to the drover on that basis. He then applies for a permit to export the cattle, and an order comes from the food corporation that they are to remain in the country. He obtains the United States price, but as near as I can learn there is no way by which that extra price received is sent back to the farmer. That is a condition which should be carefully guarded against. In any event the packers are protected from loss.

This action on the part of the board has turned a sellers' market into a buyers' market. Up to the time the board placed a ceiling on beef carcases, producers of cattle were enjoying a sellers' market. They could sell with every assurance that they were getting the top price. But as soon as the order came down that the price was to be reduced one cent a pound on a certain date in June, another cent a pound on a certain day in July, it had the effect of bringing down the price of cattle some two weeks before those particular dates. I do not know whether that could be avoided. Supply-Agriculture

The packers have to slaughter and hang the beef for a certain length of time, and they paid a lower price on purchases made a week or two before the time when the price would be reduced to the butcher or the person cutting up the meat.

This provided a lever for the packers to beat down prices. If you go through the country you will find that there is no equilibrium so far as prices are concerned. One drover is paying a certain price; another drover is paying another price. They are buying cattle as cheaply as they can. They tell the farmers that the price of beef has been reduced by the board one cent or two cents and is going to be reduced still more. The result is that the farmer does not know where he stands.

There is another phase of the situation which is perhaps the worst of all. This spring quite a number of farmers who were short of help and who saw a good crop of hay in the offing went out and bought cattle at high prices before the wartime prices and trade board had issued any regulations. They bought these cattle in order to put them on the grass instead of harvesting the hay. When the cattle are about ready for sale the farmers are faced with this order of the wartime prices and trade board which reduces the price one cent a pound per month. The price has been reduced two cents a pound already. and by next month the reduction will be three cents. These farmers are going to lose money. That is why I say that price will have a detrimental effect upon the production of cattle in Ontario and other parts of the country.

Taken all together, our present set-up for the marketing of live stock, particularly of cattle, is haphazard and unworkable. It is simply a hand-to-mouth policy. The wartime prices and trade board are continually changing their rules and regulations. They do that in order to rectify some mistake that has been made, and almost as soon as that is done they find that things have become unworkable in some other direction. The result is that there is confusion not only among the farmers but among the whole trade. I would suggest to the minister that he take this matter carefully into his consideration to see if something cannot be done to relieve the men in the beef producing areas so that they can carry on.

Here is another situation which the farmer is fearing. I do not know whether his fears will turn out to be justified or not. After the price has got down, which will be in the fall months, to $3\frac{1}{2}$ cents below the level that formerly obtained, it will be allowed to correct itself again, just about the time the farmers in

Supply-Agriculture

the east are purchasing their feeders for the winter. If prices are allowed to go up high again, the result will be that a great many farmers will not purchase western feeders at all. They have had their experience once. They purchased cattle this spring and are going to lose money on them, and I warn the minister and whoever may be responsible that the farmers will not stand for a repetition of that and that cattle will not be purchased in the quantities in which they should be purchased this fall to go on the feeding lots in the eastern provinces.

Mr. GARDINER: I would very much prefer that we defer the discussion of the subject opened up by the hon. member for Haldimand until we reach the item for marketing. I have a very good reason for asking this, because the particular officials who will check me on any figures I might use are not sitting in front of me at the moment, and I would much prefer to wait until I have Mr. Shaw here.

Mr. HATFIELD: What is being done to encourage the farmer to raise more sheep?

Mr. GARDINER: The plan is to attempt to increase the flocks by one million head through the cooperative arrangement made between the federal government and the provinces. The arrangement involves the federal government paying freight on ewes shipped from one part of the country to another in order to make them available to those who will use them for breeding purposes. The government is also supplying rams.

Mr. FRASER (Peterborough West): What is the situation to-day with regard to thoroughbred cattle? Have we many in the country? I know that United States buyers have been buying up herds throughout different districts. They have been in Peterborough county and paid big prices. There is no doubt that the farmer has benefited from that, but the choice cattle have gone over to the United States.

Mr. GARDINER: The registrations of beef and other cattle are increasing year after year. To give a few figures registered breeds of beef and dairy cattle numbered 66,060 in 1937. There was a drop from 1937 to 1939, when the figure was 41,822, but in 1940 the numbers rose again to 86,365, and in 1941, to 92,392. The figures for breeds of sheep were for 1940, 14,360, and for 1941, 15,432; and for swine in 1940, 12,660, and in 1941, 13,221. It will be noted that the number of pure-breds is very small compared with the total number of live stock in any one of these classifications, but the numbers are going up, not down.

[Mr. Senn.]

Mr. FRASER (Peterborough West): Have you put any ban on the slaughter of pure-bred calves?

Mr. GARDINER: No. The figures would indicate that they are on the increase rather than the decrease.

Mr. HATFIELD: What is the policy with respect to selecting the best ewe lambs from the stockyards?

Mr. GARDINER: The methods are not the same in the different provinces. Each province is working out its own method of selection from whatever stock is available.

Mr. CARDIFF: Were any more areas accredited in the past year, or has that been discontinued?

Mr. GARDINER: We discussed the item with regard to that matter before the hon. member came in. I presume he refers to the T.B. free areas. We are taking in additional counties only where the accredited and supervised herds make up the greater part of those that will be inspected.

Mr. CARDIFF: The county of Huron had an application in for an accredited area. Would it be possible to get that through?

Mr. GARDINER: It would not be possible to get a new area opened up unless a very considerable number of herds are already included.

Item agreed to.

Production service.

18. Plant protection, \$280,591.

Mr. PERLEY: What is the explanation of the increase in this item?

Mr. GARDINER: The increases are: for the Japanese beetle, \$15,000; equipment, \$6,000; supplies, \$2,000; statutory increases, \$1,718; making a total increase of \$24,718.

Mr. PERLEY: What is the Japanese beetle?

Mr. GARDINER: The Japanese beetle attacks all kinds of fruit trees. It is a beetle which came in from the United States.

Mr. FRASER (Peterborough West): Does the minister's department have to pay the extra tax which the Minister of Finance has imposed this year? In this item I notice the sum of \$2,000 for telephones and telegrams, and in other items throughout the department are sums of \$2,000, \$4,000 and \$7,000 for the same purpose. Will the extra tax make any difference in the minister's estimates?

Mr. GARDINER: The tax is paid. Of course it is a cross-entry.

Mr. FRASER (Peterborough West): I know it is.

Mr. GARDINER: It will be small in comparison with the whole amount; it will not affect it materially.

Mr. HARRIS (Danforth): Can the minister make a statement under this item with regard to flax production in Canada?

Mr. GARDINER: It will come under No. 19.

Item agreed to.

Production service.

19. Plant products—seeds, feeds, fertilizers, insecticides and fungicides control, including grant of \$18,900 to Canadian Seed Growers' Association, \$519,582.

Mr. GARDINER: Has the hon. member for Danforth reference to fibre flax or oil flax?

Mr. HARRIS (Danforth): It is oil flax. While the minister is procuring the information I might make a short general statement, and perhaps he might be able to answer the entire problem. A survey was made as to the possibility of taking care of a flax crop which might approach double the ordinary production, and the feeling was abroad that there would not be enough equipment available to handle the flax and press it, to make the oil cake on the one hand and the linseed oil on the other. The survey was made some six or eight weeks ago, and the question I want to ask-apart from the first one, namely what the production is going to be this year-is, whether or not the equipment, a large portion of which has been idle during the last three or four years, has been inventoried, and whether or not those who were processors of the flax are ready to handle the crop and turn the oil into the channels which are in need of that product. A general statement should be made. This is a very important item.

Mr. GARDINER: There is an increase. We have not the exact figures, but there are approximately one and a half million acres as against around a million last year. That is, they are up by about 50 per cent instead of 100 per cent. We did not double the acreage.

Mr. HARRIS (Danforth): Has the minister any information as to the prospect of handling this crop by the processors with the equipment which is here?

Mr. GARDINER: The increase in acreage, it will be recalled from the discussions last year, was intended to provide for shortage of supplies of oil, not only on this side of the line, but possibly on the other side as well. There has not been the increase in plants which would make possible the handling of all the flax which will probably be grown this year in Canada, but it has been understood from the beginning that any of the flax which could not be processed here would be processed on the other side of the line.

Mr. HARRIS (Danforth): I want to take this opportunity of protesting as strongly as I possibly can with regard to the conduct of those charged with the responsibility of issuing priorities on machine parts for the processors not only of flax seed but of other products which are producing oil from fats in Canada. To-day, within the last two or three hours, the priorities division, on being asked to give priorities to bring into this country equipment of a kind that could be used for the pressing of such products as flax for oil, applied for a higher rating than P.D.1A, which is so far down on the list that it will be impossible to get this equipment repaired and put into condition during this calendar year. I ask the minister in his official capacity and through his department to urge the priorities division to give priority on equipment of a kind which is going to handle this crop for the benefit of the agricultural economy of Canada.

The matter is even more important than that, because, as many hon, members in the chamber, including the minister, know, this shortage of oil is very serious. It is not going to get very much better during the next twelve months, and every possible avenue which will permit of more production should be followed through in the interest of the country. I want to register a protest that the priorities division are not giving consideration and the right-of-way to this necessary industry in this time of war. Of course hon. members know why we are short of oil. The whole Pacific production, which I think the minister will agree is about 75 per cent of world production, is out of our hands and under the control of the axis powers. Our short supply will become more serious, and everything possible should be done. I see an hon. member from western Canada rising to his feet. I hope that when he takes his place, following me, he will ask that consideration be given to having some of this processing done west of the great lakes, so that the stock food value of the oil coming from the pressing of flax will find a ready market right in that part of Canada where the production is going on. By this means more of the finishing of our cattle might be done in the west, and the necessity avoided of sending so many cattle to the east, because,

as the hon. member for Haldimand says, when they come here they may find a poor market. We should have a rather better balanced economy, and the matter should be attended to now that the need has arisen since Japan has taken over the great oil production areas.

Mr. ROSS (Moose Jaw): I agree with the hon. member who has just spoken that priority should be given to machinery for oil processing, and I also agree with him as to the desirability of the work being done in western Canada, where most of the product is grown.

Mr. HARRIS (Danforth): And where there is plenty of coal, cheap fuel.

Mr. ROSS (Moose Jaw): Yes, and where the product can be used to advantage. What I want to draw to the attention of my hon. friend is this. He asked as to the production figures of flax for this year. The figures already mentioned as regards acreage are probably right-three and a half millions this year as against two millions last year. But we must remember that last year throughout western Canada there was not a heavy yield of any crop, and the yield of flax would also be below the average. This year, with the moisture conditions which obtain in western Canada, the average yield will probably be much higher than the long-term average. Instead of having this year one and threequarter times the amount of flax we had last year, there is every probability that we shall have two or three times the amount of last year's yield.

Mr. HARRIS (Danforth): How many million bushels would be my hon. friend's estimate ?

Mr. ROSS (Moose Jaw): Well, at three and a half million acres, I would say that there is every possibility of a yield of somewhere in the neighbourhood of twenty-five million bushels of flax.

Mr. HARRIS (Danforth): That means that we must have the equipment and machinery to handle it.

Mr. SENN: During seeding time this spring there was a great shortage of mangold seeds throughout Ontario. I suppose that is partly on account of the fact that mangold seed came largely from Belgium and other European countries. Has that shortage been taken into account and any provision made for another year?

Mr. TRIPP: If flaxseed cannot be processed in Canada, will permits be given to individuals to export it? Mr. GARDINER: That is not handled through the Department of Agriculture. Export permits will be given through the Department of Trade and Commerce and have been given, I imagine, under the direction or control of the wheat board.

Mr. PERLEY: That was understood, was it not, when the order in council went through fixing the price?

Mr. HARRIS (Danforth): If such export permits are given, I hope the wheat board will see to it through the wartime prices and trade board that a fair proportion, perhaps two-thirds of the oil produced, is returned to Canada; otherwise it will be necessary for Canada to refuse export permits to a degree and to process her own flax in order to keep an adequate oil supply in this country.

That again emphasizes the importance of some pressure being brought to bear on the priorities division that has to do with machinery used for oil extraction.

I want to put on record how poorly matters are handled in priority department 1A. The requests you make are not attended to. You call, get no reply; the individual in charge is not there. When I pointed out the urgency of the matter and said I would have to take it to a higher place, the stenographer answering the telephone replied, "Well, go ahead and do so". It is not conducive to the national interest to have service of that kind in a situation which is so important at this time.

Mr. GARDINER: I am sorry that that item also comes under another department. I might say, however, that priorities in connection with steel and other commodities which are necessary for production are of necessity discussed at all times with the United States, and there do arise difficulties in connection with getting the amount required in Canada, as there are difficulties in providing the amounts necessary in the United States.

As far as the arrangement with regard to flax is concerned, and the oil derived from it, we have an understanding with the United States that we do get a certain supply of soya bean oil into this country. In return for that, we allow a certain part of the flaxseed oil to remain in the United States. I am not in a position to give the exact proportion, but it is an understanding which has been worked out on the basis of the facts as they exist.

Mr. FRASER (Peterborough West): What is the situation with regard to vegetable seeds? The truck farmers in Peterborough riding and others are afraid they may not have enough for next year.

[Mr. J. H. Harris.]

Mr. GARDINER: It will be remembered that at the beginning of the war we set up an organization to try to obtain in Canada the garden and other vegetable seeds required in this country which we previously obtained from Europe. We hope this year to have mangel seed to the extent of 251,250 pounds—

Mr. SENN: Canadian grown?

Mr. GARDINER: Yes, as against an amount for 1941 of 212,714 pounds. That is what we believe our requirements to have been in 1941. It is hoped this year to have a production of 251,000, and therefore we are well in advance of the requirements.

Mr. FRASER (Peterborough West): What about carrot, onion and truck farming seed generally?

Mr. GARDINER: Last year our requirement for carrot seed was 73,000 pounds. This year we are producing about double that, and therefore there will be no shortage as far as that is concerned.

Mr. CRUICKSHANK: In connection with fertilizer, I understand an order in council has been passed that the present subsidy is to be continued in the eastern and western provinces. Last year the fertilizer subsidy was for the production of certain farm produce only, as far as the western provinces are concerned. If my memory is correct, it was to produce coarse grains and pasture. We in British Columbia, and particularly in the Fraser valley, are especially interested in the production of corn for ensilage. In the production of corn for canning about 85 per cent of the value goes into ensilage and 15 per cent for canning. Under the last order in council we were held not eligible for the subsidy on fertilizer; the ruling was that our corn was not produced for feed only. We of the Fraser valley are most emphatically of the opinion that our corn for canning is a by-product, the principal value is the ensilage. Since I understand that the subsidy on fertilizer is to be or has been reintroduced for this year, will the ensilage be taken into consideration as if the corn is produced purely for feeding?

Mr. GARDINER: The fertilizer subsidy was given to increase the amount of feed for the production of dairy and meat products, as part of the policy of increasing production. When we examined into the quantities of fertilizer available it was found that we could not go beyond the classification of which I have spoken, including pasture lands for the same purpose, without depleting our supplies of fertilizer and thus reducing them for the objective we have in mind. In other words, there is a shortage of the essential 44561-296 Supply-Agriculture

ingredients that go into the making of the fertilizer, and we are using it only in connection with those crops which we consider essential to the production of feed. If we were to go into such things as corn for canning purposes, of course that would lead us into gardening generally, the growing of different kinds of crops for direct food purposes, and we have not considered it advisable to go into that field.

Mr. CRUICKSHANK: With all due deference I should like to correct the minister. Last year he did that very thing; he provided the subsidy to encourage the growing of corn for canning purposes, and that very thing is being done under last year's act. What I am suggesting is that the minister should pay the subsidy on fertilizer used to grow corn for ensilage purposes. I am sorry the minister has been misinformed. Last year the subsidy was paid in connection with corn for canning.

Mr. GARDINER: If anyone is getting away with that, we did not intend him to do The provision now covers ensilage corn; SO. the term used is field corn, but it is the intention that it should include corn grown for ensilage purposes or corn grown as food for live stock, that is, fodder corn. This has been done under an order in council passed early last summer, which is now being extended to cover the period to December 31, and I presume it will be extended even beyond that. At the moment, however, the order in council provides for this subsidy to December 31, and our main objective in extending the date was to put fertilizer on pasture lands this year in the period between July 1 and December 31.

Mr. CRUICKSHANK: If I am correct in my understanding of what the minister said, the subsidy was intended for that very purpose, to increase the production of corn for ensilage?

Mr. GARDINER: To increase the production of food for live stock, and ensilage is food.

Mr. CRUICKSHANK: Then am I correct in understanding that this subsidy will be paid in connection with corn principally used for ensilage? That is exactly what I am asking for. Am I correct in that understanding of the purpose?

Mr. GARDINER: I am not fully acquainted with what they do in the Fraser valley of British Columbia, from which the hon. member comes. If they are growing corn for canning purposes, picking off the corn and using the remainder for ensilage, then I do

not believe they would be able to collect the subsidy on the fertilizer. But the subsidy may be paid on fertilizer put on land on which corn is grown which is used for feeding purposes.

Mr. CRUICKSHANK: That is not quite clear to me yet, and I should like to have this straightened out, because I took it up with the minister last year. The Fraser valley is the only place in British Columbia, so far as I know, where corn is grown for canning purposes, and the point I want to impress upon the minister is that of the protein value of that corn, 85 per cent is used for ensilage purposes and only 15 per cent for canning purposes.

Mr. ROSS (Moose Jaw): Is that out of the same field?

Mr. CRUICKSHANK: Just a moment. They grow a lot of wheat in Moose Jaw, and they get a bonus for everything they can grow. In the Fraser valley, according to the information I get, not only from the farmers but also from the canners, 85 per cent of the value of the corn grown goes into ensilage and only 15 per cent for canning purposes. If we are to be penalized in regard to the subsidy, if I may put it in that way; if it is to be paid only in connection with fertilizer used for corn grown for canning purposes—

Mr. GARDINER: No, for feeding purposes.

Mr. CRUICKSHANK: Just a moment; I am getting a lot of advice here.

Mr. GARDINER: The hon. member is asking for information, and I am giving it to him.

Mr. CRUICKSHANK: Then I want it to be authentic. I do not think the minister follows me. We will call this domestic corn. To a farmer in the Fraser valley 85 per cent of the value of domestic corn is in ensilage, but if I am not misinformed, in order to get the subsidy it must be domestic corn. Am I correct in that?

Mr. GARDINER: I do not know what the hon. member means by domestic corn.

Mr. CRUICKSHANK: Well, corn grown for canning purposes?

Mr. GARDINER: It is not paid on corn grown for canning purposes; I have said that several times.

Mr. CRUICKSHANK: Well, that is not according to the statement made under the minister's own signature last year.

Mr. GARDINER: Why not read the letter, and then we shall have the information?

[Mr. Gardiner.]

Mr. CRUICKSHANK: Just a moment. We endeavoured to get the subsidy on the fertilizer we used for the corn produced in the Fraser valley last year. We were not given that subsidy, and we were told over the signature of the minister why we did not get it. We were told that canning corn or domestic corn, as I call it, which I think is the term the department used for it—

Mr. PERLEY: Golden Bantam.

Mr. CRUICKSHANK: Very well; Golden Bantam. I took up the matter with the minister last year, and I was informed that we could not get it because this corn was not produced principally for ensilage purposes. Chilliwack Canners and Canadian Canners could not get it, so what chance had a private member? The minister's department maintained that this corn was produced primarily for canning purposes. I am stating that in the Fraser valley 85 per cent of the value of the corn produced goes into ensilage and only 15 per cent into the cannery. I hope I have made myself clear now.

Mr. GARDINER: Yes, and that is exactly what I said three minutes ago.

Mr. CRUICKSHANK: Then can I take it from the minister that corn produced for the canneries—I know some of the Ontario members will realize what I am getting at of which 15 per cent of the value goes for canning purposes and 85 per cent for ensilage purposes, is entitled to the subsidy on the fertilizer?

Mr. GARDINER: I can only say that we have an advisory committee in the province, set up by the provincial people, who agree with the interpretation we have placed upon it, just as other committees in other provinces have agreed, and we are following that out. The interpretation is just as it has been recited, that we do not pay the subsidy on the fertilizer placed upon land used to grow. corn for canning purposes.

Mr. CRUICKSHANK: That is not clear to me yet. I am not particularly interested in the interpretation of the provincial government; I am elected not as a provincial member but as a federal member. I am asking the minister if corn produced for canning purposes, which in the Fraser valley is used for ensilage to the extent of 85 per cent of its value, will be entitled to the subsidy.

Mr. GARDINER: I have said "no" three times.

Mr. HARRIS (Danforth): In view of the fact that the potash which formerly came from Germany is now cut off, what steps has the

department taken to supplement our supply of this essential ingredient? Also, is any propaganda going out by way of literature from the department to make sure that agricultural communities do not waste wood ashes, which are perhaps the other source of supply.

Mr. GARDINER: Most of the supply, in fact I think practically all we are able to obtain from anywhere outside Canada, to make up for the shortage of potash which previously came from Germany, is coming from the United States, and I believe to a great extent from New Mexico. But a plan has been worked out whereby the amount of fertilizer which is available will make it possible for us to do what we propose to do under the order in council.

Mr. HARRIS (Danforth): Are we having any success with the million dollars invested in the Consolidated Mining and Smelting company at Trail?

Mr. GARDINER: We have not the information here with regard to that.

Mr. BLACK (Cumberland): Has the department made any investigations as to the possibility of obtaining a potash supply in the salt deposits at Malagash, Nova Scotia? It has been reported from time to time that there is an extensive potash deposit there awaiting development, one of the largest deposits in Canada, comprising millions and millions of tons. They have been operating it for a number of years, and are hopeful that it may be developed as a war industry. Materials such as chlorine and other chemicals could be produced there for war purposes. Potash would be one of the substances which might be obtained if a plant were put in there. Has the minister's department made any inquiries as to the possibility of developing a refinery there for the production of potash, for fertilizer purposes?

Mr. GARDINER: My information is that we are in no serious difficulty with regard to potash supply. The supply now available is sufficient to look after our requirements. But I might add that this information could be obtained to better advantage from the Minister of Mines and Resources. Any development in that connection which takes place would take place under the direction of that department, rather than the Department of Agriculture.

Mr. BLACK (Cumberland): Would the minister not agree it would be far better from the Canadian point of view, as well as the point of view of the industry, and especially from the point of view of the people in 44561-2963

Supply-Agriculture

eastern Canada who are entitled to more interest in the development of their industries, if this product were secured within Canada from the deposit there available, rather than have it imported and necessitate the sending out of exchange and the giving of employment to people in another country who do not need it? It would have the further advantage of creating an industry in war time which would have a post-war value of great importance to Canada, and would be of particular importance to that locality.

Mr. CARDIFF: I believe the subject of feed would come under this item. In my constituency we are very much interested in feeds. We grow considerable quantities of coarse grains and feeds, which we consume. During the year we buy large quantities in carload lots from western Canada. We appreciate the fact that in the past year the dominion government has paid the freight on carload lots coming from the west, and we hope that policy will be continued.

We are also interested to know that a ceiling has been placed on coarse grains. Because of that fact it is impossible for us to get what we call cheap grain, other than screenings. We could use great quantities of screenings, if we could get them at the price we think we should pay. If the western farmer were getting anything worth-while for those screenings, one could realize that perhaps there might be some reason for the price being where it is. But in these times, when we are engaged in such a fight for our freedom, I do not believe commission firms' charges and handling charges could bring the price of the screenings to the price we have to pay before we get them. The western farmer pays the freight on the screenings to the head of the lakes, and when it reaches that point it is taken off him as dockage. It does not cost anybody anything that far. When we get it in our part of the country it costs us at least \$25 a ton, or thereabouts. Why is it that screenings are as dear as that when we receive them in eastern Ontario?

Mr. GARDINER: Again we are discussing a matter which does not directly come under my department. As I remember the figures the last time I investigated the matter, the value of screenings at Fort William was about \$8.50. That was the price for screenings, just as they are taken from the grain. After that, of course, they are cleaned and graded, and then they are finally shipped to Ontario and ground into feed. By the time the screenings reach Ontario the price, which includes freight —or at least did include freight until the federal government began to pay that chargeis increased. Then there is the further fact that a considerable percentage of it has been cleaned out, and does not appear in the product which is purchased at the higher price here, as compared with the \$8.50 at Fort William.

The main reason why the feed would not be shipped back to the farmer in western Canada would be that there is not sufficient value in it to warrant the payment of freight for taking it back there. The value is really put into it by cleaning it and having it ground and supplied to the farmer, who can utilize it as a mixture in connection with other feeds. The western farmer would probably have enough of the grain from which the screenings had been originally screened, without having it shipped back.

I would say, however, that during the last war-and I am not sure about this one; the hon. member for Qu'Appelle may know more about present conditions-we were credited with our screenings from the grain, when the grain was at a very high price. At that time we were credited with certain amounts for screenings which were taken out of our grain at Fort William. I imagine wheat has not risen to a price sufficiently high to make it pay at this time. There is the question as to whether the price will be high enough in the future. However, we have had returns, and there are certain returns which can still be secured. For example, a man can get his grain cleaned at the elevator without sending it to Fort William. Many of the local elevators have cleaners in them. If the farmer cares to draw his grain to an elevator which has a cleaner in it, he can have his grain cleaned at that point, and save the freight on the screenings to Fort William. However, because there are so many factors involved, and because I have not before me the prices either at Fort William, in the west or in the east, I would not care to say more than that in the matter.

Mr. DONNELLY: I think when the dockage is over 3 per cent the farmer is paid for it.

Mr. CARDIFF: Would the minister care to say where he gets his figure of \$8.50 at the head of the lakes?

Mr. GARDINER: I got it from a farmer from the middle of a meeting in London.

Mr. CARDIFF: Maybe one of the western members would give an answer?

Mr. ROSS (Moose Jaw): I should hate to disagree with the minister's figure, but I have not yet heard of screenings being worth \$8.50 a ton in western Canada. Recleaned

[Mr. Gardiner.]

screenings would be worth that, perhaps; that is, refuse cleanings, with the valuable parts cleaned out. I can remember during the last war when screenings sold in western Canada for \$20 a ton. As the hon. member for Wood Mountain (Mr. Donnelly) says, when we are docked over 3 per cent on our grain we are paid for the screenings. The refuse screenings from the elevators are recleaned and sold, but I question if they would be worth over \$8.50 per ton.

Mr. CARDIFF: I do not mind paying that to the western farmer if he has it coming to him; I would rather pay it in that way than by way of bonus, but the fact remains that he does not get anything for it and he pays freight on it to the head of the lakes. As far as I figure out, it does not cost anybody anything.

Mr. DONNELLY: The farmer does not pay for having his grain cleaned. When it is under 3 per cent it goes to the man who cleans it.

Mr. CARDIFF: It does not cost \$8.50 a ton to clean it.

Mr. WRIGHT: The farmer in western Canada pays for the cleaning at the head of the lakes.

Mr. PERLEY: I think the matter should be referred to the agriculture committee next session.

Mr. STOKES: A great many dairy farms in eastern Ontario contain large areas of permanent pasture, land which cannot be cultivated and upon which the dairy herds get most of their early summer sustenance. In many areas a small, low-growing weed is practically crowding out the grass, and I should like to know if any study with regard to the eradication of this weed and the improving of these pastures, has been made. The average dairy farm of eastern Ontario contains about 50 per cent of land of this type. The farmer may not always have the lush grass he has this year and may be faced with a serious shortage of pasturage.

Item agreed to.

Production service.

20. Grants to fairs and exhibitions, in the amounts detailed in the estimates, \$65,000.

Mr. HARRIS (Danforth): At this time an item of this sort is really not called for, and I should like to ask the minister if consideration should not be given to dropping it. These buildings house race horses and so forth, and I am sure the communities where these places are located will forgive us if we do not go on with these buildings under war conditions. I notice the minister has supervision of race-track betting across Canada. Last year the amounts wagered totalled \$21,-355,037; the pari-mutuel commission and gate receipts amounted to \$2,189,749, and the prize money, \$1,051,824. Surely they could provide their own requirements out of those amounts? In the communities where there is no race-track, this work could be left out. Does the treasury of Canada get any portion of the \$2,189,745 gate receipts? Does the dominion put up any of the prize money of \$1,051,824?

Mr. GARDINER: This amount of \$65,000 is not, strictly speaking, a grant to fairs in the sense in which the hon. member has referred to it. We were making considerable grants to fairs up until two years ago, but the first year of the war we cut out all ordinary grants. These amounts are to take care of commitments made over a period of years which have not yet run out for assistance in connection with buildings. Racing is regulated by the Department of Agriculture, and a charge is made for all the services performed by the department. I am not in position to state what revenue is obtained from the race-tracks because that information can be obtained only from the Minister of Finance or by consulting the records of the Department of Finance.

Mr. MacNICOL: Did I understand the minister to say that no grants are being made to fairs, such as the Canadian National exhibition?

Mr. GARDINER: There are no grants for the operation of fairs, but there are some grants in connection with the operations of agricultural associations.

Mr. MacNICOL: In one way I am sorry that that is so. The Canadian National exhibition will not be in operation this year. and a number of handicapped and crippled men who have acted as gate-keepers and so forth for a number of years will not have employment. They are in the greatest distress. These men looked forward to having two or three weeks work in the fall looking after gates or ticket offices, to obtain a few much needed dollars.

Mr. GARDINER: The larger fairs, particularly Toronto, have been closed as a result of the use of the buildings by the military people. That was the beginning of the difficulty, and it has developed to such proportions that it was thought unwise to continue the fairs.

Mr. PERLEY: According to the particulars on page 65 of the estimates only four fairs will benefit. Are there any fairs in Saskatchewan and Manitoba that will receive grants outside of the grants for building purposes?

Mr. GARDINER: There are no outstanding grants. Any grants that were made in connection with buildings at those fairs have been completely paid out. The only ones left are enumerated here.

Mr. McNEVIN: The buildings at the Toronto exhibition are almost entirely used by the Department of National Defence. I do not think we should take any action to discontinue these grants.

Mr. GARDINER: They are a matter of contract as between the federal government and these boards. We must continue to pay them; that is why they are there.

Mr. PERLEY: The supervision of racetrack betting should be considered. The minister's report, at page 159, contains a table giving certain information in this connection by provinces. The total amount wagered in the dominion was \$21,355,037; the parimutuel commission and gate receipts were \$2,189,745 and the prize money amounted to only \$1,051,824. According to the table Saskatchewan does not go in too much for this kind of sport, because the people of that province wagered only \$429,894; the people of Ontario wagered \$12,859,315; the people of Quebec, \$1,427,549 and the people of British Columbia, \$3,387,588. A lot of this should be cut out. It is just a disgrace, a graft, so to speak, when one considers the amount that was paid in and the amount paid out in prize money. There must be something wrong. Do I understand that there is no revenue from this supervision?

Mr. GARDINER: There is sufficient collected to pay the costs of supervision. These races are operated not under legislation of this department but under the criminal code. All we do is to supervise the holding of the races and the betting that goes on there. We supervise the pari-mutuels.

Mr. PERLEY: Do they require a permit from the minister's department before they can hold a race-meet?

Mr. GARDINER: They have to comply with certain conditions which are set out in the legislation. They must be a recognized chartered association before we issue a permit.

Item agreed to.

Marketing service.

22. Marketing service administration, \$94,457.

Mr. NICHOLSON: This is the item that provides for the services that were performed by Doctor Allen of Great Britain?

Mr. GARDINER: Yes.

Mr. NICHOLSON: I understand that a recent appointment has been made of a successor to Doctor Allen. What is the type of work to be done by the commissioner in Great Britain?

Mr. GARDINER: It will be recalled that this position was created about four years ago, and a year or so before the war Doctor Allen was appointed to the position three years to a day before he lost his life crossing the ocean to become active in his position. The reason for establishing the position was that we desired to have one man in Britain in charge of the different officials we had there to check cargoes and the nature of the food products we were shipping to that important market. Doctor Allen acted in that capacity until the war started, and for some time after. He returned to Canada during the war in order to make known to the people here what the requirements of Britain were and the standard of commodities they required. After performing that service here he was on his way back to Britain to take up his further duties there, those duties having to do largely with the inspection of cargoes in order to see that the commodity arrives in Britain in a proper condition to supply that market satisfactorily with the food products from this side.

Mr. Robertson, who has been appointed to take his place, was the live stock commissioner for Saskatchewan. He is a returned man of the last war and has given long service in connection with the live stock industry of Canada. He is going overseas to take the position which was vacated through the death of Doctor Allen.

Mr. WRIGHT: There was a good deal of complaint last year of the quality of our bacon, that it was shipped too green. Has that been overcome? Are there any complaints this year?

Mr. GARDINER: Some very small quantities of bacon shipped to the old country may not have been quite up to standard, but so far as our records show, almost all, if not all of it, was reported to be excellent.

Mr. WRIGHT: There was a report last year that some six million pounds were not up to standard, and there was a good deal of complaint about it.

Mr. GARDINER: So far as we know, there was no such amount as that which was below standard.

[Mr. Nicholson.]

Mr. NICHOLSON: There is a reference in the annual report of the department to discussions which the minister had last fall with the British ministry of food. Would the minister care to make a statement with regard to those discussions? Might not the British ministry of food be prepared to accept Canadian wheat at a price more in line with the prices of other commodities that are being bought by Great Britain under the terms of our billion dollar gift? I can think of no good reason why the British ministry of food wants to buy our wheat at such a very low price when it knows the cost of producing commodities here in Canada. Is there any possibility of reconsidering the price which is to be paid for Canadian wheat in view of the fact that Canada is making a billion dollar gift?

Mr. GARDINER: The marketing of wheat comes under the Department of Trade and Commerce, and the minister of that department is sitting here waiting for his turn. The proper time to bring the matter up would be when my colleague's estimates are before the committee.

Item agreed to.

Marketing service.

24. Dairy products, \$365,098.

Mr. McNEVIN: I wish to make a few remarks on the marketing of whole milk. I am well aware that under this item there is a dual responsibility and a dual control inasmuch as in Ontario, particularly, we have a provincial milk board which has substantial authority and jurisdiction in this matter. The Department of Agriculture is also interested. Then the wartime prices and trade board control the retail price of milk.

When speaking on June 3, with regard to dairy products, I referred to the fact that there was a satisfactory arrangement with respect to the price of whole milk and cheese, but that a similar situation did not obtain with respect to butter. At that time no public announcement had been made with regard to the discontinuance of the subsidy of 30 cents per 100 pounds for whole milk produced for retail consumption in the cities. If I remember correctly, when this bonus was put on it was expected that during the months in which the bonus would be paid, the distributors in the various areas affected would inaugurate certain economies whereby, on the discontinuance of the bonus. the producer would not be expected to bear the full weight of its withdrawal. The bonus

was discontinued as of the first of June, and unfortunately these economies had not been put into effect. Therefore the full weight of the deduction has fallen upon the producer of whole milk.

The base price set in the base period would return to the farmer 1.93 per 100 pounds at the farm for 3.5 milk. That is taking into consideration that 15 per cent of the milk shipped is paid for at a lower price. I think since that time the provincial milk board has authorized an increase in the price of that 15 per cent up to 1.95, which is the price for milk for manufacturing purposes. That, of course, is an advantage, but only a very slight advantage. I am quite sure that, as the matter stands at present, there is widespread dissatisfaction on the part of milk producers throughout the whole of Ontario with regard to the present set-up.

However, I want to point out this fact. I think the price of milk on the farm for manufacturing cheese will net the producer from \$1.75 to \$1.80 for 3.5 milk, so that at the price of \$1.93 the producer of the whole milk for city consumption has an advantage of only probably about 15 cents per 100 pounds over the producer of milk for manufacturing into cheese. I think it is an undisputed fact that, for a number of reasons, the producer of whole milk is entitled to a substantially wider spread. For example, the cheese factory takes the entire production, whereas the producer of milk for retail in the various urban centres can deliver only up to his quota, and then he must do something else with the surplus. I think also it is generally recognized that milk produced for the wholemilk trade requires a great deal of additional care in order that it may reach the consumer in first-class condition. Then, again, the producer of whole milk must maintain a quota throughout the entire year, whereas the producer of milk for other kinds of dairy produce can produce greatly increased quantities at certain seasons of the year and greatly lessened quantities at other times of the year. Therefore, taking the whole situation into consideration, I think that at a not very distant date some definite action should be taken to correct the situation with respect to the production of milk for city consumption, or I am of the opinion that the supply will be inadequate. I know that at a recent meeting of representative milk producers within this category there was a lot of talk about a strike. It is possible that that feeling may grow. Therefore I call attention to these facts in order that full consideration may be given the matter. Doubtless the supply will hold good under present pasture conditions during the month

of July, but it is quite likely that in August and September the supply will be short unless some action is taken.

As to economies, we know, for example, that the price of bottles has been passed on to the consumer. He must pay if there is any wastage of bottles. Extra deliveries have been discontinued. As a further item of economy, as far as the distributor is concerned, milk cannot be sold on credit; it must be sold for cash.

In the light of these circumstances I want to say as a milk producer that, while my individual relations with the dairy to which I have shipped for about twenty years have been very satisfactory, producers of whole milk under present conditions are not satisfied collectively. I believe that during the last war the average price paid to the producer for milk was, from 1915 to 1918 inclusive, around \$2.80 per 100 pounds, and that milk retailed at about 12 cents a quart. Under present conditions the quart price in many of these markets is 13 cents; yet the producer is getting, including his transportation costs, approximately \$2.35 for 3.5 milk.

I may have something further to say on this matter when the estimates of the Department of Finance are under consideration. But I ask now that provision be made at an early date to increase the present price by at least 40 cents per 100 pounds.

Mr. SOPER: Would it not be possible under this item to do something for dairy butter producers? The creamery butter producers are bonused or have a subsidy now, but the dairy butter producers are not getting that. Dairy butter production in Ontario is from 20 to 25 per cent of our production; in western Canada, I understand, it is higher. While I know it is quite a difficult matter to deal with, possibly it could be handled through the creameries. These people are living in most instances a considerable disstance from creameries, and the creameries are not inclined to extend their routes on account of shortage of trucks, curtailment of tires, and other considerations, and those who produce dairy butter are not equipped to deliver cream to the dairies every day. I certainly think they are entitled to some protection in this matter.

Mr. FURNISS: I should like to say a word in support of what has been said by the hon. member for Lanark. The district of Muskoka, which I represent, contains about twenty-two townships, and throughout the district there is not a creamery. It might appear that there is not sufficient milk to warrant the establishment of a creamery, but that is not so. The

COMMONS

fact is that the farmers are scattered throughout a wide area and the distances are so great that it does not pay to gather the cream to the creamery. These people are not allowed to participate in the bonus. I was home a couple of weeks ago and was talking to a hard-working man and his wife. They had just completed their having. I asked him if he had a man, and he said "no". His wife, who was standing behind him, said, "I am the only help he has. Besides helping with the hay I churn sixty pounds of butter every week." That woman is not able to participate in the bonus and is deprived of about \$3 a week. I understand that about 100,000,000 pounds of dairy butter are made in Canada. A considerable portion is used on the farms, but at least half of it is sold, and the loss to the farmers who are not able to get their cream to the creameries amounts to about \$2,500,000. I wish to say on behalf of the farmers and farm women of this country that, apart from the armed forces, no other persons are making a greater contribution to the war effort than are farmers, farm wives and children, and if anything can possibly be done to allow these people to participate in the bonus it should be done. To my mind it would have been an easy matter if the price could have been allowed to rise 5 cents so that everyone could participate.

Mr. CARDIFF: I do not wish to repeat what the hon. member for Victoria, Ontario, has said. I think he covered the ground very well. I should like to mention one point in connection with the bonus paid on milk. It was put on at a time when I believe the minister will admit that if something had not been done, there would have been a great falling off in the supply. The result was that many farmers not only maintained the herds they had but bought other cows, with the result that many of them purchased milking machines. These machines are expensive. About the time they thought they were going to get a little cheap feed to help to pay for them, the bonus was cut off and they found themselves without sufficient returns to finish paying for the machines. Others who wished to buy machines to help to solve the labour problem in the summer found the firms selling these machines cut to a certain quota, with the result that such people could not buy the machines. They could not get help or buy milking machines. I realize that the government tried to take care of these people, because it increased the quota 200 per cent from 1940 to 1942, which looked reasonable at the time.

[Mr. Furniss.]

But when one considers that in the last six months there were probably more milking machines sold than in the last ten years, he will realize the serious condition in which some people found themselves. They find themselves now with their herds on their hands and their summer work in progress, and they are unable to get help. Some time ago I placed a question on the order paper with regard to this matter. The question was:

Will the government give consideration to having mechanical milkers removed from the restriction placed upon them by an order in council dated January 19, 1942?

The answer in part was:

The quota on mechanical milkers was set at 200 per cent of any manufacturer's or importer's sales in 1940,---

Which at the time seemed reasonable.

-whereas the average for all units was 84 per cent. In establishing this percentage for milkers consideration was given to the essentiality of these machines as well as the existing labour shortage.

If the minister would consider having that restriction removed to allow these people to buy milkers to help overcome the shortage of labour, it would be a fine thing.

Mr. FAIR: May I add a word in support of giving a bonus on dairy butter. I do not think it necessary to go into details, because the government knows very well the position of the producers of dairy butter.

Mr. GARDINER: The subsidy is paid, of course, under the wartime prices and trade board. The difficulty they find is being able to be sure that any subsidy paid on dairy butter will go to the producer. The butter is purchased at so many places and marketed in so many different ways that it is hard to work out a plan under which payment of the subsidy can be made. The suggestion made by the hon. member for Lanark is one worthy of consideration, but that would not by any means cover all those concerned. It might lessen the number who are more or less discriminated against, if it is desired to use that term, as compared with patrons of creameries, but it would not entirely remove the difficulty.

There are no complete or official figures with regard to the production of dairy butter in Canada, but we have always kept estimated figures and they are something like this: Creamery butter, 286,000,000 pounds. That figure is as authentic as possible for figures of this kind. The estimated production of dairy butter across Canada is 94,000,000 pounds. That is to say, between 20 and 25 per cent of the butter production of Canada is estimated to be dairy butter. Much of that is consumed right on the farm and does not enter the mar-

ket at all. It has been found difficult by the wartime prices and trade board to work out a plan under which the payment can be made. It was hoped that it would be possible for a considerable percentage of the people who are now making dairy butter to send their milk to the creameries. Of course we know there are certain areas where that is impossible. Generally speaking, however, it is hoped farmers will be able to do that and get the advantage of the six cents a pound butterfat subsidy.

Mr. FAIR: If that is the only hindrance, I would suggest asking the western farmers to work out a plan.

Mr. GARDINER: I am sure the wartime prices and trade board would be pleased to have a plan submitted.

Mr. FAIR: Is it guaranteed that the western farmers will get the bonus if they provide the plan?

Mr. GARDINER: The hon. member will have to submit that question to them.

Mr. KINLEY: This matter is of interest to the small farmer. My experience is that if you raise the price of creamery butter you immediately raise the price of dairy butter. Farmers come into town, find out the price at the store, and usually sell their butter just under the creamery butter price. It seems to me that the bonus is reflected in the price which the consumer pays for the creamery butter.

Mr. GARDINER: The subsidy is not in the price paid by the consumer. The price to the consumer is the same as if the subsidy had not been paid. The subsidy is paid through the creamery to the producer of the butterfat.

Mr. KINLEY: That is rather a discrimination, is it not?

Mr. GARDINER: Well, that is the question which is raised.

Item agreed to.

Marketing service.

23. Agricultural economics, \$96,935.

Mr. NICHOLSON: I believe we skipped item 23. I understand the department has carried on a good deal of work in connection with land utilization in different parts of Canada. During the past ten years, as a result of the drought and depression, I think at least 20,000 families have been established in northern Saskatchewan. Many of those settlers are on sub-marginal lands. With the prospect of 250,000 additional people being needed in industry within the next year, now would seem to be a good time to take action to

Supply-Agriculture

move some of these people from the submarginal areas. We are now experiencing the difficulty that many expected in the earlier stages; some of the settlers after spending three or four years on inferior land are moving away, and now we have a very small group responsible for maintaining schools and other social services. With the great shortage of labour, it would seem there would never be a better time than now to take action to see that these people are enabled to move to other parts of Canada.

Would the minister say something about the machinery available to make use of the land utilization services that have been carried on, so that the Department of Labour, for example, might look to the areas in Canada where people are on sub-marginal land and the possibilities of having them moved to other places where they can find employment? Many of them are engaged on very small units, operating ten or fifteen acres of land, and I can think of a great many other ways in which they might use their energies now to assist the war effort. Could the minister make any statement on this question?

Mr. GARDINER: Most of the activities referred to were carried out under a separate vote which is not now in the estimates. When it was in, it came under the special items, where the estimate in regard to prairie farm rehabilitation now appears. Under that vote we are still carrying on certain activities, in that we accept from the provinces the definition of submarginal lands, and then we do form some of those submarginal lands into pastures and assist in moving the people out. But I do not think that is the problem which the hon. member has in mind. There is at present a vote under the Department of Labour, I think starting with \$60,000 at the beginning of the war and going up to \$100,000 this year, for the purpose in the first instance of taking people who desired to move from just such areas to Ontario, which desires farm labour to be moved here if that is at all possible. That item was put in the estimates for the purpose of assisting such movements from the west or anywhere else to this province, or from one part of the province to another. Very little of the money was spent the first year; I believe a good deal was spent last year, and I think more will be spent this year. My understanding is that either the Minister of Labour has signed an agreement with the province of Ontario or the agreement has been negotiated and is practically ready for signature, and that the plan is to enter into certain arrangements with any other provinces

that desire to do so. I have not the terms of that agreement before me at the moment, but no doubt the Minister of Labour will have them when his estimates are under consideration. The intention is to encourage and assist provinces to move labour about within the provinces, and, where necessary, to move it from one province to another, in order that any surplus labour now on small holdings such as have been referred to, where a proper living cannot be made, may be made available to other areas where there is employment. In general terms that is the plan.

Item agreed to.

Marketing service.

25. Subsidies for cold storage warehouses under the Cold Storage Act, and grants, in the amounts detailed in the estimates, \$108,350.

Mr. MARSHALL: I think it very unfair to compare an estimate of \$127,197.12 for the year 1941-42 with an estimate of \$108,350 for 1942-43. In order to obtain a true picture we should have the amount actually expended under this estimate in 1941-42. Is the minister in a position to give the exact figures in that connection.

Mr. GARDINER: It will be recalled by hon. members that we have an act which provides for these expenditures. Under that act we agree to pay 30 per cent of the cost of cold storage. Of that we agree to pay half in the first year, the other half being divided into four payments. The fact of the matter is that we announced as a matter of policy, I think two years ago, that we were not going to undertake any new cold storage obligations. Therefore the amount voted last year was only sufficient to take care of previous commitments, and of course the amount this year would not be exactly the same for the reason I gave a few moments ago, that half the total amount is paid the first year, and the pay-ments are very much reduced in succeeding years. I am told that this was just the amount necessary, and that the whole amount would be paid out.

I should say that this policy has been reconsidered and that there are now under consideration supplementary estimates which will be brought down at a later time by the Minister of Finance and which will have to be discussed when they reach this committee. This is one of the items for which we have decided to provide an estimate in the supplementaries. The vote will not be as large as that of previous years, but we are finding that there is a shortage of cold storage facilities across Canada, on account of the fact that such large quantities of food are being shipped to Britain. At times our cold storage facilities are filled [Mr. Gardiner.] to capacity, and we could make use of more. Therefore we are resurrecting this vote and putting in an amount to take care of a certain limited number of cold storage plants. I am not at liberty at the moment to state exactly what the amount will be, because it has not been finally passed by treasury board and council.

Mr. SOPER: I notice two very large items here, one for \$23,000 to the Trenton Cold Storage Limited, and one for \$56,000 to the Winnipeg Cold Storage Company Limited.

Mr. GARDINER: Those were two cases where construction is still going on, and the first payments amount to half of the 30 per cent we contribute. That is why they are particularly large this year.

Mr. WEIR: Having regard to the comments of the minister and his reference to a supplementary estimate in connection with assistance to cold storage plants, I should like to refer to another feature of preserving foodstuffs; that is what is called the quick-freeze method. As I understand it, no assistance has so far been given to this process. There is, however, a considerable development going on in connection with it, particularly with regard to fruits. As I understand it, under this process fruit is preserved by quick freezing and kept in that condition without the necessity of using sugar, which, of course, is an important consideration at the present time. If this policy is going to be reconsidered in the light of more recent developments, and having regard to what the minister has already said as to the necessity for added assistance in this regard in relation to the war effort, I wonder if at the same time he would consider making use of this policy to assist in the development of these quickfreezing plants throughout the country. I have in mind more particularly the type of plant that might be developed in communities on a cooperative basis. Of course I recognize the fact that at the present time we are stymied, as it were, because of the rulings of other branches. I presume that, for the present at least, the priorities will pretty well eliminate any possibility of the immediate construction of plants of that type. However, I do think it of sufficient importance to be worthy of consideration, and I should be obliged if the minister would keep it in mind.

Item agreed to.

Marketing service.

26. Fruit, vegetable and maple products and honey, including grant of \$5,000 to Canadian Horticultural Council, \$523,520.

Mr. MacNICOL: I should like to invite the minister's assistance to the vegetable growers in certain outlying parts of Canada: first, in northern Ontario north of Haileybury, on up as far as Cochrane, about parallel 50, and west of Cochrane. There are many areas in which large quantities of vegetables could be grown, but most of them would only decay because there is no place to ship them. I have been wondering if the department has ever considered a scheme whereby a small cannery could be erected in that area, and the canned vegetables sold to the large mining companies in that district. The same applies to northern Manitoba, and particularly to the constituency of the Minister of Mines and Resources. I have in mind the area of the Pas, about the 54th parallel. There are some of the finest lands in the world there, a million acres of it, just west of the Pas. T have been over it, and in that area I saw the finest of vegetables, among which were sugar beets.

The farmers upon whom I called, and who showed me their vegetable crops, remarked that if there were some way of getting their produce to the mines at the north it would greatly help their position. Apparently they have great difficulty in getting their produce up to Flin Flon and to Sheridon. There is great opportunity now, because there is quite a development I believe along the Hudson Bay railway.

I have been wordering if the minister would consider, first, doing something to assist the farmers in northern Ontario to market their vegetables, either after canning or in some other way, and if he would do the same in northern Manitoba, in northern British Columbia and in northern Alberta where that splendid experimental farm at Beaverlodge has been established. The experimental station there is doing a great work in all that area, and I would assume that it is because of that experimental farm that vegetable growing there has become such an important industry.

At Dawson Creek, Pouce Coupe and Sweetwater, and all through there one finds very fine areas of splendid land, but no place to dispose of vegetables, with the result that too much goes to loss. I remember stopping at Peace River, about the 56th parallel, in the constituency of Peace River, and I remember that on the day I arrived there they were showing the vegetable products they were growing in their vicinity. It was almost incredible to see cabbage weighing twenty-two pounds, and turnips of such a tremendous size. Not only were there magnificent vegetables, but grapes in abundance. To my great amazement I saw as fine grapes on that market as I

Supply-Agriculture

have seen grown anywhere. While I was in the town members of the board of trade asked me if I would place their predicament before parliament.

That day I saw a large truck of the very finest of tomatoes, which had been ready a few days before to ship to Edmonton. However, owing to the dreadful state of the roads they could not be taken away, with the result that they had rotted. I was told that the same thing had happened to cucumbers. There had been hundreds of baskets of cucumbers permitted to rot because they could not be taken to the market at Edmonton, which is in fact their only market. I promised myself that when these estimates were before the committee I would ask the minister if some consideration could not be given to northern Manitoba, northern British Columbia and that fine area near and west of the town of Peace River, where the land seemed perfectly adapted to the growing of vegetables. I promised to ask if the minister's department would not consider some action whereby farmers in those districts who raised quantities of vegetables might find some way of disposing of them, either through the erection of a small canning factory-perhaps it may not be an economical proposition-or through some other means. However, those people are pioneers, and it is too bad to see the result of their hard labour rot on the trucks because it cannot be carried to market.

If there were small canneries in those areas, northern British Columbia products could be sold along the Alaska highway to the thousands of men who are on that road; northern Manitoba product could be sold to the mines in that vicinity, and the Peace River product shipped out. I would ask the minister to do something to assist the farmers in those areas and in other areas with which I am not at present familiar, but which I may visit this year.

The farmers in outlying areas are pioneers who perhaps deserve more assistance than the farmers immediately adjacent to cities, such as those in the constituency of the hon. member for Peel. The farmers in that constituency raise vast quantities of vegetables which they have to take only a short distance to the county town, where quantities of vegetables are purchased and to the communities along No. 2 highway. Those which cannot be disposed of in that way go to either Hamilton or Toronto.

Because the farmers in the outlying areas are pioneers I do urge that something should be done for them to enable them to dispose of their vegetables properly, even if it is necessary for the department to erect or to assist in the erecting of small canneries.

Mr. GARDINER: I would say at the outset that there is one difficulty at this time, and that is to obtain tin with which to begin any kind of canning operations. Only yesterday I was waited upon by a very considerable delegation from Ontario who were trying to make sure that they would receive even a percentage of the tin they required in the past, in order to carry on their canning operations this year. We shall probably experience some difficulty in that regard. Therefore that is one practical difficulty which stands in the way at the present time.

There is under consideration at this time the question as to whether food can be supplied out of the Peace River country, part of which is in British Columbia and part in Alberta, to the Alaska highway; and in that connection we are considering the supplying of not only vegetables but meats as well. I do not know just what plans can be or will be worked out, but the matter is under discussion and consideration.

Mr. MacNICOL: I am glad to hear the minister say that.

Mr. GARDINER: The difficulty, of course, in connection with canning in outlying areas in order to sell the supplies outside those areas is the old difficulty of producing commodities of that kind in quantity and marketing them in quantity. It would obviously be impossible for them to put up surpluses and ship them out of areas of that kind into areas where there are larger populations and where there are canning plants which are producing at a rate cheaper than the plants in the outlying areas can produce, especially when they have to add shipping charges for the longer distances to the greater areas of population.

In certain very limited areas in Canada and in much greater areas in the United States plans have been worked out under which canning is done in the homes or in small community ventures, to supply those communities themselves. In the United States these ventures are promoted by women's organizations. I recall that when the farm women were here last winter quite a number of them who came from the United States spoke of that as one of the most important works being done by their organizations in that country. I do not know whether it is because Canada is newer, but the fact remains that we have not found it possible to develop the idea to as great an extent. There seems to be some reason why it is more difficult in Canada. It has been tried in a number of provinces, but it has not gone as far as we would like to see it go.

The main problem I believe is that, first, of having sufficient quantity in a community [Mr. MacNicol.]

to warrant the establishment of a factory: and then even if there is the quantity and the factory, there is the further problem of competing with others who are producing in areas such as those immediately adjacent to Toronto. Hamilton, Winnipeg or other smaller cities farther west. It will be realized by the hon. member who has just made the suggestion that some difficulty would be experienced if the products had to be shipped out. I quite agree that there are some possibilities in connection with making supplies available to the works along the Alaska highway and to the mines in the immediate vicinity. I really think most of these possibilities could be overcome by local organizations where the amount canned was not so large as to warrant establishing a factory.

Mr. FRASER (Northumberland, Ont.): While I do not want to delay the proceedings of this committee unnecessarily, I feel that I should say a word on this item. This item covers one branch of the work of the Department of Agriculture which has suffered considerably in 1939, 1940 and 1941. I refer to the apple-growing industry in the different provinces of Canada. I have had the pleasure of working in close contact and cooperation with the fruit growers of British Columbia, with the fruit growers of Nova Scotia, with the pomological society of Quebec and with the Ontario fruit growers' association. Having had that close association, I should like to offer the sincere appreciation of the apple growers of those provinces to the minister; to the deputy minister; to Colonel Wheeler, the fruit commissioner; to Mr. Conger, and to the various inspectors and departmental associates who have given of their time and thought in order to protect the apple-growing industry which had become a war casualty.

I do not know whether it is fully appreciated, but the apple grower cannot take advantage of a diversion of crops. An apple orchard produces only one crop and is a lifetime investment. It is only because of the foresight and the cooperation of the gentlemen I have mentioned that the apple growers of Canada were able to survive in those years of depression caused by the cutting off of our export markets by the war. It is anticipated that arrangements for 1942 will continue these good results. I want to thank the minister and his departmental heads for the fact that this grant to the Canadian Horticultural Council is being continued. This council, formed in 1916 under the secretaryship of Major Leslie Burrows, has been one of the finest agencies for dealing with the problems of the fruit and vegetable industry. At all times

these problems have been directed to the minister and his officials. I hope the committee will forgive me for taking up time in order to place these few words of appreciation and gratitude upon the record.

Mr. WRIGHT: During the base period last year there was a wide variance in the price for which honey was being sold in western Canada. Certain of the cooperative honey producers in western Canada had made agreements with the wholesalers for the sale of their product. Others who waited a little while to make their final agreement got better terms. As a consequence, prices varied considerably during the basic period, and an anomalous position was created as between Manitoba and Saskatchewan. Has the position been cleared up? In northern Saskatchewan we have one of the largest honey cooperatives in the province. I believe they handle about 50 to 75 per cent of the honey, a large part of which has been going to the export markets. An order in council has been passed closing the export market, and I should be obliged if the minister could make a statement on the marketing of honey?

Mr. GARDINER: There have been negotiations with Great Britain for the sale of our honey, but it is a little difficult to make arrangements for the shipment of this product because there is a market for it in Canada at a price higher than the British feel like paying. In other words, this commodity is consumed here in considerable volume at prices higher than we could obtain elsewhere. The hon. member referred to the fact that selling prices were not the same during the basic period last year. That is one of the problems before the wartime prices and trade board. It is somewhat similar to the problem that exists in connection with milk and other commodities. It sometimes happens that a commodity is not sold at the same price in all communities, or even in all parts of a certain community, because of certain undertakings that have been made. The question is being considered by the wartime prices and trade board, and an attempt is being made to arrive at a solution of the problem. This does not come under the Department of Agriculture, although our officials are consulted with regard to it.

I want to say to the hon. member for Northumberland, Ontario (Mr. Fraser), that the Department of Agriculture and I as minister greatly appreciate the associations that have existed between the horticultural council and the department. I had thought that if the hon. member for Haldimand (Mr. Senn) had been here I might have referred to the remarks he made about the

Supply-Agriculture

marketing of beef and other products, to the effect that there should be producer representation. Since I have had the privilege of being Minister of Agriculture the one group of farm producers who have maintained ideal relationships between the department and their industry are those people who are associated with the horticultural council, and particularly the apple boards. They have not asked the department or the government to be represented in certain places. They set up an organization of their own; they have made known their needs and seen to it that the department at all times knew what their organization thought ought to be done. They have worked consistently at the task of taking care of the interests of their producers. They have not wasted any of their energies in other directions. While the thanks of the growers of fruit, and particularly the apple growers, have been extended to the departmental officials and to myself as minister, I must say that a great part of the credit is due to the fact that the industry has been so well organized under the council. They made their needs known from the first days of the war. I think they found the officials of the different departments ready to sit down with them to work out their problems. The problem could not be dealt with entirely by the Department of Agriculture. The Department of Finance played a considerable part in the negotiations, and also the Department of Trade and Commerce when the problem was associated with trade outside Canada. That organization at all times has been well informed not only with regard to their own industry here but also with regard to the possibilities of marketing their products. They have stayed with the job until they, in cooperation with our officials have worked out plans which would be helpful.

I am sure hon. members will agree with me that we have heard very little complaint from the apple growers across Canada in spite of the fact that the earliest war problem in all of the different branches of agriculture came in the apple industry. The apple growers had been exporting 50 per cent of their crop to Britain and were told in the very early weeks of the war that they could not depend upon exporting any more apples to the British market. While Britain took 50 per cent of her requirements that year, she took none at all the next year, and she took some the following year. The information given to us by the British government was that Britain did not want our apples and did not wish us to expect to be able to market them in the British market during the war, but she has come in from time to time and

taken some of them. In view of all these difficulties I think there is a lesson for all of us who are interested in agriculture in the splendid way in which this business has been handled through cooperation between the producers as represented by their boards and the departments, as the hon. member for Northumberland states it has.

Mr. STIRLING: I should like to present my own thanks to the minister for the way in which he has referred to the Canadian Horticultural Council. I feel sure that the recognition which he has given this evening will be greatly appreciated by the many associations which go to make up that council.

This grant which the government is paying annually is but a fraction of the revenues of the council. I cannot state accurately how many associations there are now as members of the council, but I will hazard a guess that it is between thirty and forty, and each of these associations, whether they be apple growers, or small fruit growers, or flower growers, or whatever they are, makes large contributions to the horticultural council. So long as I have been a member of this house, in my endeavours to represent the fruit growers of the part of Canada that I represent, it has been of very great assistance to me to be able to turn to the information always available through the secretary of the horticultural council.

I should like to add this also, that the negotiations which the minister has carried on, particularly with Nova Scotia and with British Columbia, have been greatly facilitated in that he had to deal in both those parts with boards which were set up originally under the Natural Products Marketing Act. Although that act came to a sad end, the boards persisted in the excellent work they had been doing. The functions of the fruit board in British Columbia are now being carried on for this purpose of cooperating with the dominion government, and the functions which they carry out are carried out under an order in council of the War Measures Act. I very much trust that with this information it will be possible at some not very far distant date to resuscitate the marketing act under which such boards will be perpetuated.

Mr. RICKARD: I should like to endorse what the hon. member for Northumberland, Ontario (Mr. Fraser) has said. Several times I have given credit to the Minister of Agriculture, the officials of his department and those connected with the horticultural council for the work they have done in connection with the apple grower, but I think we should also give credit to the hon. member for [Mr. Gardiner.] Northumberland, Ontario, because I believe that no man has had a keener interest and spent more time and energy in trying to do his part for the apple growers than he, and I should just like to put that on record.

Mr. GARDINER: I want to endorse what has just been said. The hon. member for Northumberland, Ontario, is, I think, as well informed with regard to not only the growing of apples but also the barrelling of them, and the making of the barrels—

Mr. RICKARD: And the selling of them.

Mr. GARDINER: —and the selling of them as anyone in Canada, and he has been of great assistance. I should say, too, that in what I said with regard to apples I had special reference to the boards that have been mentioned.

Mr. WRIGHT: Have any regulations or orders in council been passed with regard to the marketing of honey this fall, and if so, what are they?

Mr. GARDINER: That is entirely under the wartime prices and trade board, and I would prefer it to be discussed under the appropriate item.

Mr. NICHOLSON: I have received a number of letters regarding a rumour that large quantities of honey were sold to the liquor interests. Can the minister say whether this valuable food can be purchased by the distilleries to be used instead of sugar?

Mr. GARDINER: The use of honey for industrial purposes is being restricted by the wartime prices and trade board to the same quantity as was used last year. Therefore it would not be possible to have any increased use of honey for liquor purposes this year over last.

Mr. NICHOLSON: Would it be possible to buy honey and use it for liquor purposes instead of sugar?

Mr. GARDINER: There could be no increased use of it as a substitute. That is the idea they have in mind, to prevent honey from being used as a substitute, thus making it possible to put more sweet into commodities than the regulations provide for.

Mr. DOUGLAS (Queens): We have heard a great deal about apples and other agricultural products. I represent Queens, a constituency in the smallest province in Canada. I think every hon. member will admit that Prince Edward Island produces the best potatoes and turnips grown anywhere in the world. I should like to say to the Minister of Agriculture and his department that I think we have the most efficient inspection department of anywhere in Canada. The certified inspection department is headed by Mr. S. G. Peppin, who is well known to the department, and he and his staff carry on very efficiently. Mr. C. E. Shaw, head of the table stock inspection, and the staff under him, certainly understand their business.

I have been connected with the potato business for the last twenty-five years, growing, grading and shipping. Without boasting I might mention that I organized the table stock potato inspection service in Prince Edward Island about twenty years ago, and about that time the farmers went into the growing of certified seed and table stock on a fairly large scale. A few years ago our province produced nine or ten million bushels of potatoes in one season, which was very creditable for a small province like Prince Edward Island. It was not an unusual sight in the fall of the year to see eight or ten large steamers, each carrying from 150,000 to 200,000 bushels of potatoes from Prince Edward Island to Cuba and south American markets.

I should like to ask the Minister of Agriculture to cooperate with the Minister of Trade and Commerce and see what he can do in helping to provide steamers for the shippers to carry our products to south American markets. I understand from the large shippers that it is almost impossible to get a large steamer to take our seed there.

I am sure our people appreciate everything that is being done by the department to encourage and assist in the growing of potatoes.

Mr. PERLEY: I notice in the minister's report—since a little apple sauce is being passed along right now—there is an item that a new plant has been established for the manufacture of apple sauce. It has been greatly expanded and can produce three thousand cases a day, and the total output was 150,000 cases. The minister might tell us where the market is for this apple sauce, and whether we in western Canada are likely to get any of it. It was apple juice last year; now it is apple sauce.

Mr. GARDINER: The plant is, of course, carrying on in accordance with the agreement which we made with the apple growers, and a considerable amount of apple sauce has been made. It has all been disposed of, most of it to the army, and the product has been found very acceptable.

Mr. SOPER: I understand that a product known as apple coffee is put on the market. Does the minister know anything about that? Supply-Agriculture

Mr. GARDINER: Apple coffee is to be made in a plant which has been established out on the Pacific coast, and which, I believe, is practically complete.

Mr. STIRLING: It is at Vernon, is it not?

Mr. GARDINER: I do not think any of the product has been put out, except in an experimental way.

Mr. STIRLING: It is not on the Pacific coast.

Mr. GARDINER: It is not on the coast; it is in the coast province, at Vernon. The plant is not quite completed, but I believe it will be turning out the product in a short time.

Item agreed to.

Mr. GARDINER: I wish item 29 to stand, and to take items 32 and 33 if the committee will permit.

Mr. PERLEY: Before we take up these special items, I wish to ask the minister with respect to an item in the budget items, Votes and Proceedings of June 23. On page 6 of the appendix is an item at the very top, under the heading, "Statement of expenditures by major categories and by departments for the last five fiscal years," and then it gives an estimate for agriculture for this year amounting to \$8,437,000. I wonder whether, before we get to the special items, the minister could give us a break-down of that. It was not taken up when the Minister of Finance was dealing with the matter.

Mr. GARDINER: Those are the items that we have just gone through. The break-down would be of that item.

Mr. PERLEY: Does that include the special items?

Mr. GARDINER: No; it includes all but the special items. It is reported here at the bottom of the estimates: Ordinary expenditure, \$8,771,000; special \$9,725,000.

Special.

33. To provide for assistance for the replacement of maple production equipment, \$50,000.

Mr. HAZEN: I made some inquiries about this item when the estimates were up last year or the year before—I have forgotten which year it was—and the facts are not clear in my mind, but if I remember correctly the minister said that this amount was paid under some agreement which had been made with, I believe, the maple producers of the province of Quebec and that it was to extend over a period of years. I am sorry that I have not

the details of his statement before me, but what I have in mind is this. If there were an agreement of that kind, why has the amount been reduced this year by \$25,000? How can it be reduced if there were such an agreement?

Mr. GARDINER: The committee will remember that some years ago it was found that there was lead poisoning in the maple products produced from the province of Quebec and from the neighbouring states. Much of the product was being shipped to the United States, and they were protesting these shipments, so that an investigation was made and a process developed whereby certain equipment could be provided from which lead poisoning would not find its way into the product. The government of Quebec, this government and the producers entered into a three-way agreement which was intended to extend over a period of some three or four years. Our proportionate amount to be paid was about \$300,000 a year. The province was going to pay a similar amount, and the producers were going to be responsible for a small amount in order to replace the old equipment with new. The war came on after we had been working at that for one year; the necessary material with which to make the new equipment is not available, and accordingly the plan has not been gone on with to the full volume of activity which we expected. This amount is what we expect to be able to spend this year under all the conditions existing. If it were not war time we would be asking for considerably more.

Mr. HAZEN: Does this lead poisoning come from the sap itself?

Mr. GARDINER: It comes from the equipment. Those who are familiar with the gathering of sap in the forests of the east will recall that the old buckets used to rust; they were just ordinary tin and became very badly rusted. Some person developed a new product that would not rust, and it appears that this product was covered with a coating of lead which found its way into the sap. The sap was allowed to stand under certain conditions in the buckets, and a very small percentage of lead poisoning got into the maple syrup. The result is that those who are careful of food supplies, to see that they are absolutely pure, have been insisting on eradicating that difficulty. It was to assist in that that we had undertaken this provision.

Item agreed to.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order. [Mr. Hazen.]

Saturday, July 25, 1942.

The house met at eleven o'clock.

CONTROVERTED ELECTIONS

CONSTITUENCY OF STANSTEAD—REFUSAL OF LEAVE TO APPEAL ANNULMENT OF ELECTION OF R. G. DAVIDSON

Mr. SPEAKER: I wish to make a statement in the matter of the Dominion Controverted Elections Act and the election of a member of the House of Commons for the electoral district of Stanstead, held on March 26, 1940.

On June 30 last I received from the registrar of the Supreme Court of Canada certified copy of judgment of said court setting aside the decision of the trial judges of the superior court of Quebec and declaring the petition in the matter of the election for the electoral district of Stanstead should be maintained, and the election of the respondent, R. G. Davidson, for the House of Commons, should be annulled. I tabled the judgment, and it is set forth at length in *Votes and Proceedings* of that day, pages 441 to 451.

On July 3, 1942, I was served a notice by the agent of the respondent's solicitors that a motion would be presented on behalf of the respondent before the presiding judge in chambers at the Supreme Court building in the city of Ottawa, on Thursday, July 9, 1942, at ten-thirty of the clock in the forenoon, or so soon thereafter as counsel can, for an order staying the execution and all other proceedings herein so as to permit respondent to apply for leave to appeal to His Majesty's Privy Council.

On July 6, 1942, I was served with a copy of a petition for special leave to appeal to His Majesty's Privy Council praying that His Most Gracious Majesty in council will be pleased to exercise his royal prerogative and order that the petitioner shall have special leave to appeal from the judgment of the Supreme Court of Canada of June 26, 1942, and that His Majesty may be graciously pleased to make such further or other order as to His Majesty in council may appear fit and proper.

In view of these proceedings I did not issue my writ for a new election, awaiting the final disposition of the motion before the Supreme Court of Canada to be heard on July 9 last.

On July 21, 1942, I was served with a certified copy of the judgment of Mr. Justice Hudson refusing the motion made before him on July 9 last. In his judgment Mr. Justice Hudson points out that His Majesty's Privy Council have consistently refused such applications for leave to appeal. There is one feature of these proceedings which does not commend itself to me, which infringes upon the immunities of the House of Commons in its relations with the courts of justice, and that is the practice sought to be established of serving on the Speaker notices of court proceedings.

When a court of justice renders a judgment affecting a member of parliament in cases which parliament has empowered it to try, the registrar or clerk of that court is bound by law to certify that judgment to the Speaker. That practice should not be departed from when the house has to be apprised of a court decision or court proceedings with respect to one of its members. Such notification should be certified to the Speaker by the officers of that court instead of service being made by the solicitors.

I now table the certified copy of the judgment of Mr. Justice Hudson, which will appear in Votes and Proceedings of this date.

I considered carefully and thought it proper to have legal opinion as to the steps which I should take to bring the matter before the house.

Under the Dominion Controverted Elections Act, chapter 50, section 68, the registrar of the Supreme Court of Canada certifies to the Honourable Speaker of the House of Commons the judgment of the decision of the Supreme Court of Canada reversing the decision of the trial judges, and also certifies as to the matters and things as to which the trial judges would have been required to report to the Honourable Speaker had their decision not been appealed to that court.

The judgment of the Supreme Court of Canada was in the following terms:

Under Section 59 (a)

This court was of the opinion that no corrupt or illegal practice had been proved to have been committed by or with the knowledge and consent of the said Robert Greig Davidson, the candidate declared to have been elected at the said election, or by his official agent, Robert Bouchard.

Under section 59 (b)

The following persons have been found by the supreme court of Canada to have been guilty of the corrupt practices set opposite their names, as appears in the reasons for judgment given in support of the decision of the court:

The names and nature of offence appear in *Votes and Proceedings* of 30th June last, page 442; I need not read them.

Under section 59 (c)

The supreme court of Canada came to the conclusion that corrupt practices, on the part of the agents of the candidate had prevailed at the election to which the petition relates, to an extent sufficient to warrant the annulment of the election. Under section 59 (d)

The supreme court of Canada did not find that the inquiry into the circumstances of the election had been rendered incomplete by the action of any of the parties to the petition, or that further inquirv as to whether corrupt or illegal practices had extensively prevailed was desirable.

I call attention to paragraph (c) of said section 59 which requires the court to report to the Speaker—

. . . whether corrupt or illegal practices have, or whether there is reason to believe that corrupt or illegal practices have extensively prevailed at the election to which the petition relates.

If the court states that such practices have prevailed, then section 71 of the said Dominion Controverted Elections Act provides that no new writ shall issue for a new election in such case except by order of the House of Commons.

Certified copy of the judgment of the supreme court certifies as follows, as I have already read:

Under section 59 (c)

The Supreme Court of Canada came to the conclusion that corrupt practices on the part of agents of the candidate had prevailed at the election to which the petition relates, to an extent to warrant the annulment of the election.

In my opinion, therefore, section 71 of the said act governs the subsequent proceedings. That section is as follows:

When the trial judges or the Supreme Court of Canada in their report on the trial of an election petition under this act, state that corrupt or illegal practices have, or that there is reason to believe that corrupt or illegal practices have extensively prevailed at the election to which the petition relates, or that they are of opinion that the inquiry into the circumstances of the election has been rendered incomplete by the action of any of the parties to the petition, and that further inquiry as to whether corrupt or illegal practices have extensively prevailed is desirable, no new writ shall issue for a new election in such case except by order of the House of Commons.

I shall therefore await the order of the house before issuing a new writ for a new election for the electoral district of Stanstead.

RADIO BROADCASTING

THIRD AND FINAL REPORT OF SPECIAL COMMITTEE

Mr. J. J. McCANN (Renfrew South) presented the third and final report of the special committee on radio broadcasting.

Mr. GORDON GRAYDON (Peel): I think perhaps at this stage I should point out that the committee was not unanimous in its report. I should like to make that clear.

Labour Conditions

BUSINESS OF THE HOUSE

INQUIRY AS TO SUPPLEMENTARY ESTIMATES AND CANADIAN NATIONAL RAILWAY REFUNDING OPERATIONS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I should like to ask the Minister of Finance first if he anticipates that it will be necessary for him to bring down any supplementary estimates before the house adjourns and second when he proposes to move the resolution standing in his name relating to the Canadian National refunding operations. I suggest to him that we should have that bill as soon as possible.

Hon. J. L. ILSLEY (Minister of Finance): I have not given much thought to it lately. I shall take into consideration the hon. gentleman's suggestion.

Mr. HANSON (York-Sunbury): What about supplementary estimates?

Mr. ILSLEY: Yes, there will be supplementary estimates.

LABOUR CONDITIONS

GENERAL MOTORS OSHAWA PLANT—PARTIAL OPERATION AND SHORT HOURS OF LABOUR

· On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Last night I received a telegram from interested parties in Oshawa representing the United Automobile Workers of America, stating that the General Motors plant there had not been put in full operation by July, as had been previously suggested or indicated would be the case, and alleging that a large part of the plant is not in operation and that men are working short hours. My understanding of the position is that the plant was to be retooled and a change made, but I wonder if the Minister of Munitions and Supply could make a statement with regard to the matter. I may add that I sent him a copy of the telegram just a moment ago.

Hon. C. D. HOWE (Minister of Munitions and Supply): As my hon. friend has said, just this moment I received a copy of the wire. With regard to the situation at Oshawa I may say that some six weeks ago the Minister of Labour (Mr. Mitchell) and I met a delegation from the United Automobile Workers and discussed the situation with them. It was claimed then that the plant was only partly operated and that the men [Mr. Graydon.] were working short hours. We looked into the situation and found, as obviously must be the case when a peace-time operation is shut off, that a period is required for retooling in order to put the production lines to other uses. That retooling has been going on for some time. I told the delegation that I expected the tooling to be completed in July. This is still July. The retooling operation may be a little late; at this time it is difficult to get tools and procurement of tools is becoming increasingly difficult as the tempo steps up in the United States. I presume tooling is still going on, but I may add that the number of employees at Oshawa at that time was, and I think now is, vastly greater than it was at any time during the course of ordinary operations. I think it was then at its peak for all time, and I believe it is still at about the same level.

In the matter of short hours, we questioned the men who composed the delegation. They were all working overtime, not working their eight hours but actually working nine hours, so that I do not think the complaint with regard to short hours is very serious.

PICKERING MUNITION PLANT

INQUIRY FOLLOWING EXPLOSION—ALLEGED DEFECTIVE SHELL CASINGS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I desire to ask another question of the Minister of Munitions and Supply. and I will say very frankly that under ordinary circumstances I would place the question on the order paper as a notice; but because we are so near the end of the session I fear that we could not get an answer quickly enough. If the minister so desires, I shall ask him to treat this as a notice. It arises out of the explosion at the government munition plant at Pickering. According to an article appearing in last evening's Ottawa Journal, the attorney general of Ontario has ordered that the evidence taken at an inquest following the explosion at the Pickering munition plant shall be forwarded to the minister.

I should like to ask the minister if he has received that evidence and if he has had an opportunity of considering it. At the same time I should like to draw his attention to a leading editorial which appeared in the *Globe* and Mail regarding this matter and the series of questions posed in that editorial with respect to the explosion and the operations at the plant. With the permission of the house I

should like to read those questions, and the minister I think should at a later stage make a full reply. The questions are:

What the citizenry must know is why 60 per cent of all the shell casings received up to June 8 from the Montreal plant were defective; why 420,000 out of 700,000 received were defective.

Was there any inspection at Montreal before the shell casings were shipped? If not, why not?

Was there any inspection at the Pickering plant before loading? If not, why not?

Is the inspection system effective? If not, why not?

Who pays for the defective shell casings, and who pays for the buffing of defective casings?

Who is responsible for the production of 420,000 defective shell casings in one plant out of a total received of 700,000?

This is an important matter in connection with a government-operated plant. I suggest the house should be informed as to the true situation.

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, I saw neither the editorial in the *Globe and Mail*, nor the article mentioned in last night's Ottawa *Journal*. However, the matter was called to my attention. It was merely explained that there had been an editorial in the *Globe and Mail* and an article in the Ottawa paper this morning.

I made inquiries, and I find that we have received no copy of the evidence at the inquest. I have heard nothing about difficulty there. I am told that the editorial places the responsibility in my department. I might add that one responsibility which is not in my department is that of final inspection.

Mr. HANSON (York-Sunbury): Then it is some other government department.

Mr. HOWE: However, in view of the question asked I shall give the house a full report as soon as I can possibly get the information.

Mr. HANSON (York-Sunbury): That is fair enough.

Mr. HOWE: But I will have to get the evidence itself, I think.

COMPOUND GIN

JOHN DE KUYPER-FOOD AND DRUGS ACT REGULATIONS AS TO ADVERTISING AND LABELLING

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, I prepare my own questions. I wish to refer to sessional paper 303-D of June 5, 1941, in which it was officially declared that it was not permitted by the

Cheese Containers

regulations under the Food and Drugs Act to label as gin the product called John de Kuyper compound gin. I refer in the second place to the numerous exhibits produced in the house in June 13, 1941, April 30, 1942 and July 10, 1942, in which and by which the said compound was labelled and advertised with impunity in the press for more than a year as "gin". How is it that this could have been done for more than a year, in contravention of such regulations?

Hon. IAN A. MACKENZIE (Minister of Pensions and National Health): I had no notice of this question. I may say, however, that I am informed by the Department of Justice that the Department of Pensions and National Health has conformed with the law as it exists. We are pursuing our research into the important question asked by the hon. member for Témiscouata, which is a very valuable contribution to the war effort.

Mr. POULIOT: I do not want the Canadian people to be poisoned.

WHEAT

ARRANGEMENTS FOR HANDLING OF 1942 CROP

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, I prepare my own questions. Owing to the fact that the house may adjourn on Tuesday next, and that I cannot go through the form of putting my question on the order paper, I should like to have an answer from the Minister of Trade and Commerce (Mr. MacKinnon). Has the wheat board made any new agreement with the line elevator companies for the handling of the 1942 crop; also is there any new agreement made with the executive of the Winnipeg grain exchange with respect to the handling of that crop? If so will the minister table the agreements on Monday, or as early as convenient before the house adjourns?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I have no knowledge of any new agreement, either contemplated or in course of preparation. The members of the wheat board, however, are expected to be in the city within the next day or two, and I shall make inquiries.

CHEESE

DIFFICULTY IN SECURING CONTAINERS

On the orders of the day:

Mr. G. H. STOKES (Hastings South): Like the hon. members for Témiscouata (Mr. Pouliot) and Qu'Appelle (Mr. Perley), I have prepared this question myself. My question

Labour Conditions

is directed to the Minister of Agriculture, and is based on a report appearing in this morning's *Globe and Mail*, which states that there is serious difficulty in the procuring of cheese boxes in that section of eastern Ontario from which I come, because of the fact that the manufacturers of the boxes are demanding a much higher price than ordinarily prevails in western Ontario and in other parts of Canada. The article states further that thousands of cheeses are sitting on the factory floors because of this condition.

Is the minister aware of the condition, and what steps are being taken to ensure a regular supply of boxes for this very necessary production?

Hon. J. G. GARDINER (Minister of Agriculture): I am aware that there have been some difficulties in connection with the production of cheese boxes, but I believe the details might better be discussed when my estimates are before the committee later in the day.

Mr. HANSON (York-Sunbury): There is no difficulty so far as production is concerned; it is a question of the price ceiling.

Mr. GARDINER: There is a difficulty in connection with production too. The proper material to make the kind of cheese boxes we have been using is not available.

Mr. HANSON (York-Sunbury): It is a matter of price ceiling.

ACCOUNTANTS AND AUDITORS

QUESTION OF STATUS IN RELATION TO CIVILIAN OCCUPATIONS OR SERVICE IN ARMED FORCES

On the orders of the day:

Mr. N. J. M. LOCKHART (Lincoln): A few days ago I referred to the Minister of National War Services the question of competition in connection with auditors and accountants. I have a further communication this morning asking if some definite direction could be given. Is there any possibility that these men will be taken out of civil life and away from the important work they have been doing in connection with the preparation of intricate audits for smaller corporations in the vicinity? Would the Minister of National War Services suggest that their services are urgently needed? If so, very many of them would be glad to divert their energies to the assistance of the government, if it is indicated by the minister that there is such a need for this type of man.

Hon. J. T. THORSON (Minister of National War Services): I indicated to my hon. friend that chartered accountants had been listed under section 15 of the national [Mr. Stokes.] war services regulations. That means that they are regarded as essential to the efficient prosecution of the war. The attention of administrative boards therefore is directed to the desirability of considering any application for postponement which may be made by any individual chartered accountant. Further than that I do not think I can go.

TOURIST TRAFFIC

ASSISTANCE IN RESPECT OF LOSSES SUSTAINED THROUGH DECREASE OF TRAFFIC

On the orders of the day:

Mr. N. J. M. LOCKHART (Lincoln): I should like to make a further inquiry of the government, although I am not sure to which minister it should be directed. I refer to a dispatch dated at Washington, July 22, indicating that negotiations are proceeding and that a bill has been introduced in congress with a view to assistance in financing the great losses sustained by persons who have been affected by lack of tourist business. I shall be pleased to send the clipping to the appropriate minister. Has any general discussion taken place between the two governments on the question of assisting those who have suffered great loss in this way?

Hon. J. T. THORSON (Minister of National War Services): I am not aware of any such negotiations.

LABOUR CONDITIONS

DISMISSAL OF EMPLOYEE UPON HIS ENLISTMENT IN ROYAL CANADIAN AIR FORCE

On the orders of the day:

Mr. J. W. NOSEWORTHY (York South): I should like to ask a question of the Minister of Justice. I have received a complaint from a young man who enlisted in the Royal Canadian Air Force, and was given three weeks ' time in which to report for duty. According to the information I have he was immediately dismissed by his employer. I understand that is an illegal procedure. I should like to learn from the Minister of Justice, whose responsibility it is to check on that type of violation of the law, if it is the responsibility of the young man, or does a government department make a check?

Hon. L. S. ST. LAURENT (Minister of Justice): There is not a sufficiently concrete case stated by the hon. member to enable me to give an answer. If the hon, member will submit the exact facts so that they can be ascertained and verified, I shall be glad to have the law officers of the department examine into the question and give my hon. friend their findings.

Mr. T. L. CHURCH (Broadview): I should like to ask the Attorney General (Mr. St. Laurent) if it is not a rule of the house that the Minister of Justice shall not give legal opinions in the house? That has been the rule since confederation, and it is what the predecessor of the minister told me last session, when I raised the matter and he said I was right.

Mr. ST. LAURENT: I shall not attempt to give offhand any legal opinions to hon. members of the house. I understood that the hon. member had a case in mind which involved the responsibility of some department of government and I felt it was not sufficiently precise to enable me to express an opinion. I stated that I would be glad to consider such a concrete case as the hon. member might bring up and if the responsibility of any department of government was involved, I would refer it to the law officers for their opinion.

Mr. SPEAKER: I call the attention of the house to the fact that most of the questions asked to-day should really have been placed upon the order paper, but in view of the statement made by the leader of the opposition (Mr. Hanson), that we were nearing the close of the session, I think the sense of the house would be that some latitude should be allowed in connection with questions asked at this time. For that reason I allowed them to be asked this morning, but I hope that this will not be taken as a precedent.

CANADIAN FORCES

CIVIL EMPLOYMENT REINSTATEMENT ACT-CON-SIDERATION OF SENATE AMENDMENTS

The house proceeded to consideration of the amendments made by the senate to Bill No. 5, to provide for the reinstatement in civil employment of discharged members of his majesty's forces.

Hon. HUMPHREY MITCHELL (Minister of Labour) moved:

That a message be sent to the Senate to acquaint Their Honours that this house agrees to their first amendment and the amendment in the title of Bill No. 5, an act to provide for the reinstatement in civil employment of discharged members of His Majesty's forces or other designated classes of persons; and disagrees with their second amendment for the following reasons:—

"The operation of the said amendment shall detract from the enforcement of the act."

Hon. R. B. HANSON (Leader of the Opposition): I think the house ought to give some consideration to this. What I gather from the reasons given by the minister is that if the senate amendment is agreed to it will lessen the power to enforce the act. I think that is the principle of his objection. Section 11 originally provided:

The governor in council may make all such orders and regulations as may be deemed necessary or desirable to carry out the purposes and intentions of this act, which orders and regulations shall have the force of law and shall forthwith be published in the *Canada Gazette* and be tabled in parliament forthwith if parliament is in session, and if parliament is not in session, within two weeks of the opening of the session next following the making of such order or regulation, and he may prescribe the penalties that may be imposed for the violation of such orders and regulations.

What the senate has done is to delete the words, "for the violation of such orders and regulations," and insert in lieu thereof the words, "upon summary conviction for the violation of any such order or regulation, but no such penalty shall exceed a fine of \$100." The effect of that is not to take away from the governor in council the powers conferred by subsection 1 of section 11: that is left in full force, and that is the substance of the section. What the senate has done is to insert a limitation clause covering the method of procedure for violations, namely, limiting it to action upon summary conviction and limiting the penalty to a maximum fine of \$100. I suggest that the senate is on sound ground, that the question of gaoling a man should not be left to the governor in council to be enacted by order in council. That is a function of parliament. On the last point the senate amendment is correct. This principle should not be lightly departed from by this house.

I am not sure whether I called attention to this section on a previous occasion, but if I did not I should have. Why in the world should parliament vest in the governor in council the power to gaol a man for the infraction of a civil right? There is a principle involved. If the minister is going to take the responsibility of overriding that principle, that responsibility will be his, but I do not recall that it has ever been done. I think it would be a violation of a fundamental principle of the administration of British justice. The power to gaol a man should never be conferred upon any government to be enacted by order in council.

This amendment limits the method of trial exclusively to summary conviction. I have two opinions on that. If a case were serious enough it might be necessary to proceed by way of indictment, but I imagine that such cases would be quite rare. I should think that summary conviction, which is the speedy method, would be resorted to by the Minister of Labour or whoever is charged with the responsibility of enforcing this act. For the

Vocational Training

reasons which I have given, and which I think will appeal to the house, I do not think the administration should adhere to the statement of disagreement which the minister has just laid down.

Mr. MITCHELL: There is no intention of imprisoning anyone under these provisions. Section 9 is the penalty section, and it provides for a fine not exceeding \$500 and a sum not exceeding an amount equal to twelve weeks' remuneration received by the individual appealing to the courts. That clause gave the committee considerable concern. Some members thought that it should be given stronger. If my hon, friend will read the senate amendment he will see that it conflicts with section 9 which was passed by that body.

Mr. HANSON (York-Sunbury): I have not the right to speak again, but I ask the permission of the house to do so. The point to which the minister has directed my attention alters the situation in a degree. By section 9 an offence is created and a penalty imposed by parliament for certain specific contraventions of the act. It is proper that parliament should do that. Any orders and regulations which the governor in council may make under section 11 could not have relation to the matters covered by section 9, with which parliament has dealt already. Therefore, it must refer to other matters, and it seems to me logical to declare that the proposed amendment is dealing only with that limited class. I suggest that the argument I have put forward in that connection is well established. I think there is a straight distinction between the two positions. I do not think I need labour the point further.

Motion agreed to.

VOCATIONAL TRAINING

FINANCIAL ASSISTANCE AGREEMENTS WITH PROV-INCES-ADVISORY COUNCIL-CONCURRENCE IN SENATE AMENDMENTS

Hon. HUMPHREY MITCHELL (Minister of Labour) moved the second reading of and concurrence in amendments made by the senate to Bill No. 64, respecting the carrying on and coordination of vocational training.

Mr. NEILL: Explain.

Mr. MITCHELL: Mr. Speaker, the amendments are not of a fundamental character. In paragraph (c) of section 2 the word "forestry" is inserted after "agriculture." Paragraph (d) of section 3 is amended by striking out the word "of" in the seventh line and substituting "vested in," and "Can-ada" is substituted for "the dominion," so that it will read "vested in the crown in the

[Mr. R. B. Hanson.]

right of Canada." In paragraph (c) of section 4 there is a change in phraseology which does not alter at all the intent of the section. Paragraph (c) of section 4 is struck out and the following substituted:

(c) Any vocational training project for the conservation or development of the natural resources vested in the crown in the right of the province;

Subsection (5) of section 6 is amended by inserting after "provided" the word "that." Section 12 is struck out and the following substituted:

12. Expenditures incurred under this act shall be paid out of moneys appropriated by parlia-ment for carrying out the purposes of this act.

Mr. HANSON (York-Sunbury): I think these amendments are all right.

Motion agreed to, and amendments read the second time and concurred in.

WAR RISK INSURANCE

PROVISION FOR COMPENSATION FOR WAR DAMAGE TO PROPERTY-CONSIDERATION OF SENATE AMENDMENTS

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of and concurrence in amendments made by the senate to Bill No. 56, to make provision with respect to insurance of property against war risks and the payment of compensation for war damage.

Mr. A. W. NEILL (Comox-Alberni): There is a misprint in one of these amendments, the one referred to as on page 5, lines 4 to 9. That should be page 6. That is quite clear because it refers to clause 11. The amendment will be found at page 612 of Votes and Proceedings.

Mr. ILSLEY: It is sufficient, I think, that the error be brought to the attention of the committee for the correction to be made.

The amendments proposed by the senate are acceptable to the government. The only material amendment is the amendment to section 26, and this is an important and substantial amendment. Section 26 as it passed the house provided:

The minister may, on behalf of His Majesty, and holding a certificate of registry from the minister entiting it to transact the business of fire insurance on Canada.

The senate has added at that point, after the word "Canada", the following words: and such other companies as may satisfy the minister with regard to their financial standing and ability to perform the obligations required of them under such an agreement.

War Risk Insurance

Representations were made before the banking and commerce committee to the effect that provincially registered companies be made eligible for making agreements with the minister under this act. I opposed that position. Several members of this house also wrote me asking that provincially registered companies be included, and I wrote them that I was opposed to their inclusion.

Mr. NEILL: Does the minister mean provincially registered insurance companies?

Mr. ILSLEY: Yes. Representations were also made by the government of the province of Quebec to the same effect. I pointed out that if provincially registered companies were included among those eligible for agreements with the minister, it must be understood that they would be subject to certain requirements by the minister, that as minister responsible for the important operations of this branch which is to issue insurance policies against war risk I must take the position that I could not authorize any company to carry on such important agency business on behalf of the government of Canada unless this government had a deposit from such company and had the right to audit the books and investigate and inspect such company.

Mr. HANSON (York-Sunbury): Have some jurisdiction, in other words?

Mr. ILSLEY: Yes. I pointed out that this government had no right as at present to look at the books of any provincially registered companies, and that we had no deposit from provincially registered companies, and therefore I felt it would be much better to adhere to the position that we would authorize only dominion registered companies to carry on this important agency business. I did, however, offer to move the inclusion of the very words which the senate has included here, provided that it was distinctly understood that provincially registered companies would be subject to selection. By that I mean that it may be necessary to exclude a large class of small provincially registered companies; for instance county mutuals, farm mutual, parish mutuals, and so forth, and that if these were included it must also be distinctly understood that the dominion government would require a deposit from them and that regulations would be made subjecting them to inspection if necessary. Those conditions were not satisfactory to the government of the province of Quebec; therefore I felt that the inclusion of these words would simply lead to dissatisfaction and perhaps friction. Consequently I did not move their inclusion when the bill was before the House of Commons. But now that the

senate has inserted these words I am prepared to accept them rather than have any disagreement with the senate over the matter. But at the outset I must make it abundantly clear, so that there will be no misunderstanding in the future, that the conditions which I have mentioned as being indispensable—selection, deposit and inspection—will be the conditions that will obtain.

Mr. HANSON (York-Sunbury): Is the minister of the opinion that if the house were to withhold its consent to this amendment it might endanger the whole legislation? Is that the reason why he is acquiescing?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): He will agree with me, I think, that the inclusion of the amendment in the bill makes it very much wider than he had originally proposed—

Mr. ILSLEY: Correct.

Mr. HANSON (York-Sunbury): —and that none of the limiting obligations to which he has alluded are in this amendment.

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): All that has to be done now to include other companies—and they need not necessarily be confined to insurance companies, although I would assume no other company would apply; although perhaps a trust company might—is to satisfy the minister with regard to their financial standing, that is to say, their solvency, their ability to perform the obligations required under such agreements.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Of course that is a safeguard. It leaves it in the hands of the minister. I have a feeling, however, without having given the matter much thought to-day, that the minister's first position was a sounder one.

Mr. ILSLEY: I think it was.

Mr. HANSON (York-Sunbury): If he is prepared to forgo that position I do not know that I should criticize it.

Mr. H. C. GREEN (Vancouver South): May I suggest to the minister that this is not a sound way to treat this amendment. The banking and commerce committee were definitely of the opinion that there should be no such provision as is made by the senate. The minister himself has said that he does not believe there should be any such provision; therefore I suggest that the House of Commons should insist on the original section. Otherwise, once this amendment has been

Veterans' Land Act

agreed to it will become law and then we may have another minister of finance-I hope not-who has not such clear-cut and sound opinions on the question; he would find this section in the bill and might exercise his discretion in an entirely different way. That, I suggest, is striking at the soundness of this whole bill. The senate amendment is so worded that it might be construed as covering companies which are not even insurance companies. The wording is not "such other insurance companies", but "such other com-panies". I submit that if the banking and commerce committee and the ministry and the House of Commons were sound in the wording of the section as it stood originally. we should be firm on it and not agree to this amendment, which is apt to lead to trouble in the future.

Mr. T. C. DOUGLAS (Weyburn): The minister was on sound ground in the first place when he insisted that this should apply to insurance companies which come under the supervision of the federal government. Now he has accepted this amendment, and he does more than provide for the original request to include provincially registered insurance companies. He extends it to include such other companies as may satisfy the minister regarding their financial standing and their ability to perform the obligations under the agreement. He has made certain conditions-condition of selection, deposit and inspection-and they are not set out in the amendment. Probably the amendment could be interpreted to cover the question of selection, but I do not think it covers either deposit or inspection. The minister ought either to adhere to his original position, or, if he is going to accept the senate amendment to put into the bill a stipulation with regard to the three things he has just suggested, namely, selection by the minister, provision for deposit, and provision for inspection of companies coming under this legislation. Now he has not only moved from his original position but he has taken in wider territory than was originally asked of him, namely, the inclusion of provincially registered insurance companies.

Mr. ILSLEY: I am quite ready to be convinced in this matter, because I am uneasy about it. I would ask that the matter stand until Monday.

Mr. HANSON (York-Sunbury): I think that is wise.

Motion stands. [Mr. Green.]

VETERANS' LAND ACT

PROVISION FOR SETTLEMENT ON THE LAND OF VETERANS OF THE PRESENT WAR-CONCURRENCE

IN SENATE AMENDMENTS

Hon. IAN MACKENZIE (Minister of Pensions and National Health) moved the second reading of and concurrence in amendments made by the senate to Bill No. 65, to assist war veterans to settle upon the land.

Mr. HANSON (York-Sunbury): These amendments are numerous, but they are not important?

Mr. MACKENZIE (Vancouver Centre): They are all changes in drafting, a matter of terminology.

Mr. HANSON (York-Sunbury): Was the title changed?

Mr. MACKENZIE (Vancouver Centre): No. The amendments are set out at page 614 of Votes and Proceedings. The first amendment is on page 3, lines 14, 15, 16 and 17, leaving out the proviso. Then on page 3, lines 22 and 23, leaving out all the words after "war" in line 22 to the end of the clause; then page 3, lines 24 to 34. For clause 3 (1) (2) and (3) "substitute the following"-purely a matter of alteration in drafting. All the changes are improvements. The next is on page 4, lines 32 and 33, leaving out all the words after "sole" to the end of clause 5 (1) and substituting the following-and so on. Then on page 5, line 16, for "the crown" substitute "His Majesty". On page 5, line 17, leave out "of the dominion". On page 5, lines 18 to 26, for clause 6 substitute the following-purely a matter of redrafting, with the same intent of improvement. On page 5, the substitution of "acquisition" for "acquirement". On page 5, line 27, leave out "execution of any of the". On page 6, lines 6 and 7, for "under the authority of this act" substitute "hereunder". On page 6, line 7, after "veteran" insert "certified by him to be qualified to participate in the benefits of this act". This relates to the elimination of provisos in the previous section. On page 7, line 12, there is a substitution of words for figures. Page 7, line 34, after "veteran" insert "certified by him to be qualified to participate in the benefits of this act". They have transferred that from the previous section. On page 10, lines 6 to 10, for clause 19 (1) there is a substitution. That is exactly of the same purport as the previous section. On page 11, lines 32 to 35, there is a redrafting. On page 12, lines 23 to 27, it is also a matter of redrafting. They are all definite improvements on the original drafting and I move concurrence.

Motion agreed to, and amendments read the second time and concurred in.

EXTERNAL AFFAIRS

APPLICATION OF CIVIL SERVICE SUPERANNUATION ACT TO CERTAIN DIPLOMATIC OR CONSULAR REPRESENTATIVES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading of Bill No. 120, to amend the Department of External Affairs Act.

Hon. R. B. HANSON (Leader of the Opposition): Unfortunately I was not present when this bill was discussed on the previous occasion. However, I think I understand from the Prime Minister's remarks and a reading of the bill what its purport is. It is to extend the provisions of the present law to certain officials of the government who were previously not under the superannuation or other acts referred to?

Mr. MACKENZIE KING: No; so that those who have been under the Superannuation Act, if appointed to a diplomatic post, may continue to contribute.

Mr. HANSON (York-Sunbury): In other words, their position is preserved?

Mr. MACKENZIE KING: That is it.

Mr. HANSON (York-Sunbury): There is one consideration to which I desire to allude which would be the reverse of that position, that is, the position of persons who have been appointed to bodies in the government service from without the service and are not allowed to contribute to any superannuation fund and therefore do not get the benefit of the provisions of superannuation acts. This means that at the expiration of their period of office they simply retire with no provision for superannuation. That is true, I think, with respect to certain boards set up by the government. It occurred to me that while we are dealing with this matter, consideration should have been given to that position.

Take the case of the civil service commission or the board of transport commissioners, bodies to which men are appointed for a period of ten years. Those who were in the civil service prior to their appointment remain in that category. They make their contribution, based on the amount of their salaries, and at the conclusion of their period of ten years they are automatically entitled to a retiring allowance. But a man appointed to the transport commission or to the civil service commission, from without the service, that is from the general public, is not permitted under the statutes as they are at present to get into any sort of position comparable to that of his colleague.

External Affairs

It must be recognized I think, that in these days of competition men who take these positions for ten years stand very little chance of reemployment at their time of life. That must mean, unless their situation was such as to make it possible for them to take the risk, that they hesitate to serve the state. Of course I know that some people who do not look far enough ahead would be desirous of taking the positions no matter what the conditions might be. But it would be fair to public servants who perform these duties if we could bring them under the provisions of the superannuation act or give consideration to their position in this regard when drawing up legislation of this kind. It is obviously designed to take care of situations which have arisen-and I think quite properly so. I am not suggesting that the case to which the Prime Minister referred should not be protected. Otherwise men might hesitate to accept positions in which there is no assurance of continued occupancy, and leave the service and the sense of security that goes with superannuation. That is the human point that is involved in this legislation. They might very well refrain from accepting positions which in the national interest it is desirable that they should accept and occupy. Should we not have resurveyed the whole field and taken in these other classes?

There was one question about which I wanted to ascertain the facts. Does this bill affect in any way the position of former Chief Justice Turgeon and his occupancy of the post of minister to the Argentine and Chile? He was on the bench a long time, and he retired from his position on the bench to become minister. He would undoubtedly come under the retirement provisions applicable to the judiciary. What is his position? Will he also be affected by this legislation?

Mr. MACKENZIE KING: No, not at all. Mr. HANSON (York-Sunbury): He does not come under it?

Mr. MACKENZIE KING: No.

Mr. HANSON (York-Sunbury): He is assured of his retiring allowance as a retired judge. Is that in suspense at the moment, or is he receiving that now in addition to his salary?

Mr. MACKENZIE KING: I cannot say positively at the moment, but I should be surprised if he is receiving anything from that source.

Mr. HANSON (York-Sunbury): I would judge so. There is the anomaly in some of our legislation of a man receiving—perhaps this is applicable only to great war pensioners—a large disability allowance under the

44561-297

Pension Act and at the same time being in receipt of a high salary in the public service. I always thought those two situations were incompatible. I do not say this as against any person, but on principle. A man with a 75 per cent disability allowance under the Pension Act goes into the public service at a salary of \$10,000 a year—

Mr. McGEER: If he had no disability he might have been able to make \$50,000.

Mr. HANSON (York-Sunbury): But not in the public service. It raises a question of principle.

Mr. McGEER: There is no reason for denying a man who has actually suffered a disability in the war the opportunity to work in accordance with his abilities—with what is left.

Mr. T. L. CHURCH (Broadview): An important matter of policy is involved in the second reading of this bill. That is the policy of making ministers plenipotentiary and envoys extraordinary-and some of them are very extraordinary-out of civilians serving the state as civil servants, some of them very able men. We have on the whole the finest civil service of any country in the world. Their duties are fixed. True, there are exceptional men in the service. We have one in the Clerk of this house, and there are several dozen others. But to take these honourable gentlemen out of their civil work and think you can land them in some embassy on the seven seas and that they can learn to be ambassadors or ministers in a day is foreign to the situation. No civil servant is trained for that work.

My second objection to this has to do with the question of status which was raised. As hon. members know, since the war started many of our representatives have been washed out, as in France, Belgium, Holland, and in Japan. That office in Japan was much criticized here during the session of 1937 by my former leader, now in the House of Lords, and myself. The ambassador there was a very fine citizen, a splendid man, but unfortunately was absent from his post on account of illness. Those were the years when we got into all this trouble, not only in that country but throughout the world, by thinking overnight that we were a nation. The finest ambassadors that Britain ever had during the past hundred years were men who were trained in the service. One unfortunate practice before the present war began was the thrusting into Washington and many other places of politicians and newspapermen, amateur novice diplomats, thinking that they could learn to be diplomats and ambassadors in a day.

[Mr. R. B. Hanson.]

The greatest ambassadors Britain ever had were permanent men trained as such in foreign affairs, such as Sir Cecil Spring Rice, Sir Ronald Lindsay and many other great ambassadors. especially those in the days of Palmerston. Salisbury, Vansittart, and George Canning. that great prime minister who kept Britain out of Europe's wars for almost fifty years. Nearly all Britain's representatives abroad for the past hundred years have been trained diplomats who knew their place and knew how to carry on in Berlin, in Washington, in Paris and all over the world, and as a result Britain's name was respected. A few years ago we came along and thought under this wonderful new Dominion of Canada's status we were a separate country and a nation. That was one of the great problems before the war, the drift of some of the dominions away from the mother country. They were led to believe that the state of affairs in the world had reached the point where they could cut loose from the mother country. Therefore we opened up an embassy in Washington and all over the seven seas, thus dividing Britain's representation there, and Canada was the chief drifter. That was bad enough in time of peace; it was even more fatal in time of war. As I said in 1937, we then became a nation all right at ten o'clock dinners and five o'clock teas, and on the front pages of American magazines, and all that sort of thing. Just let us look at the expense of all these proceedings. As I see it, here we are amending two statutes, the civil service act and the act relating to external affairs.

I do not wish to detain the Prime Minister; no doubt he has more arduous and important duties to perform elsewhere. In conclusion. however, I want to object to this whole policy, as I have objected consistently to it from 1923 onward. During the debate on this question in 1937 I predicted the coming war with Japan and told the Prime Minister he should beware, and my other leader told the house that I represented a large body of public opinion on it. I have always been consistent in opposing the appointment of these representatives, because I believe they do a great deal of harm and duplicate other civil services. Look at what we have done in Washington. Why, we have a small standing army there. We have erected a large building, and the staff is so large that when they go to work in the morning it looks like a parade of the Queen's Own Rifles in Toronto or the Governor General's Foot Guards in Ottawa. First there is the army, wearing epaulettes and all that sort of thing, a great many of whom do not want to be there, who would prefer to be fighting this war. Then comes the navy.

External Affairs

I do not see the minister here this morning, but he has a large number of men down there as aides. Then there is the air force and the women's army. Well, it is no wonder that the tax rate has gone up as high as the moon.

While I have the greatest respect for the Prime Minister and the work he is doing I really believe this embassy business is being carried too far. We have several new countries available now, including Libya and some other parts of Africa. No doubt in the years to come we will want to send ambassadors there. We have some very splendid members of parliament on both sides of the house who might qualify; offhand I could nominate almost a dozen for the job. I do not believe we have any admirals in the house now, but I see on the government benches my hon. friend the old mayor over there, who is on the war expenditures committee, and I think he might be a splendid ambassador to help us get some new ships for our navy. I would nominate him. There are also others. There is the hon. member for Davenport (Mr. MacNicol), who I think would make an excellent ambassador to Scotland. Then there is the hon. member for Témiscouata (Mr. Pouliot); where could you get a better ambassador to France? He is a specialist in many languages and he is a man of humour, as he showed the other day when he wanted to have the food and drugs act amended to allow the passing around of a favourite brand of refreshment and entertainment so popular with diplomats.

I fail to see any value in these appointments. It seems to me that our rules are antiquated. I believe we have had some good men, and I agree that those mentioned by the Prime Minister should receive their pensions and other rewards. I am casting no reflection upon them, but I believe our rules are on about the same level and as venerable as those of Noah when he entered the ark. He is said to have taken two of each in with him; I suppose he took in a Grit and a Tory, but at that time there was no C.C.F., and in any case there was no room for them. But there is an opening now in connection with this new embassy business. I think we could very well let these matters stand until after the war, and then consider the whole question of this dream status of ours. It is all right in peace time; hip, hip, hurrah! and the hallelujah chorus, because we are a nation. But what happens when war comes along? We appeal to the mother country to send over the army and the navy to save us.

Mr. T. C. DOUGLAS (Weyburn): I am sure the country at large will be very glad that the hon. member for Broadview (Mr. Church) is not selecting our ambassadors. I 44561-2973 think when the people of Scotland got Rudolph Hess, they had enough for one generation

without adding any further difficulties. I believe this is a commendable piece of legislation. In days gone by there was a tendency to select as ambassadors wealthy people who had been contributors to campaign funds and who wanted to enter into the social whirl. That practice is still being carried on in various parts of the world, but to-day there is a move in the direction of selecting career men for jobs of this kind, and I am sure everyone is convinced that it is a move in the right direction. The tendency is more and more to select men who have been trained in the government service, who have had some practical experience and who are appointed on the basis of merit rather than of influence with the powers that be. The present secretary for war in Great Britain is a man who has spent almost his entire life in the civil service. The British people generally have approved the fact that the British government are turning more and more to their trained men to represent them across the seas. It seems to me that if we are making: it possible now for the government to avail themselves of experienced, trained civil servants to represent them in the various countries of the world, they are going to get a much better type of representation than would be possible on any other basis. This legislation will make it possible to ask such men to accept these responsibilities without making it impossible for them to continue under the civil service superannuation scheme. It will give them a feeling of security; it will let them feel that when their work is finished they can come back to the service and have that security without which no man should be asked to leave the protection of his career and serve his country abroad.

If the government is moving in that direction it is a commendable thing, and it is to be hoped that in future more and more of the ambassadors and consular officials representing Canada abroad will be trained civil servants instead of merely the playboys of international social life.

Mr. G. H. CASTLEDEN (Yorkton): I should like to know to what extent this superannuation act is self-supporting. In the estimates of the Department of Finance there is an item of \$2,350,000 which is to be advanced by the department in order to maintain these superannuation benefits. Is it possible to ascertain the amount that is contributed by the civil service itself to thisfund?

External Affairs

Mr. MACKENZIE KING: I might point out that we are on the second reading of the bill and many of these questions could be better dealt with in committee.

Mr. SPEAKER: If the Prime Minister speaks now he will close the debate.

Mr. CASTLEDEN: Very well; I will ask the question in committee.

Mr. MACKENZIE KING: In regard to what has been said by my hon. friend the leader of the opposition (Mr. Hanson) and others, may I say first of all that the matter raised by the leader of the opposition with regard to the treatment to be accorded members of boards or commissions who are appointed to perform special services is a very large question. I should think it could be properly considered only on a bill which dealt specifically with the whole question of superannuation. It was suggested at the outset that the aim to be achieved by this particular measure should be achieved by an amendment to the Civil Service Superannuation Act. The Department of Finance, which administers that act, felt that to amend the act on this one specific point would open up the whole question of amendments to that act, including, among other things, the purposes mentioned by the leader of the opposition. It was felt that the present time would not be opportune for a general discussion of the superannuation act. For that reason the present amendment is being proposed to the Department of External Affairs Act rather than to the Civil Service Superannuation Act. I believe it was the opinion of the Department of Justice, to which department the matter was referred for consideration by the Department of Finance, that the present procedure was not only preferable but the right one. I might say that members of the public service who receive appointments as ministers or consuls general have not been given as large allowances or salaries as have been given to those appointed to these positions from outside the service, and who have not been members of the public service. That circumstance arises from the fact that has been understood that those who are permanently in the service will have the benefits to be derived under the Civil Service Superannuation Act. That is the main purpose of the present amendment to the Department of External Affairs Act. This amendment will ensure that those members of the public service who are serving as ministers and consuls will get the benefits to be derived from the provisions of the Civil Service Superannuation Act.

I have made inquiries about Mr. Justice Turgeon, and I find that the leader of the opposition and I were right in assuming that [Mr. Castleden.] while Mr. Justice Turgeon is minister, he does not receive the pension he would be drawing as a retirement allowance. His pension is suspended for the time being.

The hon. member for Broadview (Mr. Church) has restated his views in regard to embassies. I thought he somewhat contradicted himself, perhaps unwittingly, when he took exception to members of the Department of External Affairs being appointed as ministers, on the ground that they had not had the kind of training ministers should have, and then proceeded to praise the British service, and the method followed in Great Britain of making appointments from the permanent service to these ministerial posts. In my opinion the hon. member for Weyburn (Mr. Douglas) took the right line, one which certainly has been in the mind of the government, namely that so far as possible we should encourage career men. We should seek to have those who enter the public service to look forward to being in a position to fill higher and more responsible posts. I would say to the hon. member for Broadview that I cannot conceive of any training better adapted to qualify a man for the diplomatic service than that which he may receive as a permanent official in the Department of External Affairs. As hon. members are aware, permanent officials in different grades in the service may be transferred from legation to legation, from country to country. They come, in this way, into contact with those who are most interested in the public affairs of different countries. They become more fully acquainted with all matters pertaining to international relations. Their whole training qualifies them as one who has not had that experience could not begin to be qualified for the higher positions in the permanent service.

One difficulty, in respect of giving appointments as ministers to men who have chosen public service as a career is that for the most part they are not men of means. They have entered the service largely because of the opportunities it offers for service. When it comes to being a representative in a foreign country they are immediately confronted with the difficulties which arise in connection with the social and other obligations connected with such a position. It is sometimes very difficult to persuade public bodies to vote moneys necessary for purposes of entertainment, and for upholding in other ways the standards set by other nations. As a result ministers appointed by countries like our own, where the diplomatic service has not been of long standing, are at a very considerable disadvantage. I believe however that public assemblies are beginning to take a truer view of matters of this kind, and as time goes on will be prepared more and more to see that men who devote their entire lives to any branch of public service will not, for any reason other than of efficiency, be handicapped in receiving the highest opportunities which may present themselves in the public service.

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

On section 1—Diplomatic or consular representatives to continue as contributors to Civil Service Superannuation fund.

Mr. McCANN: In his remarks the Prime Minister said that the objective in the bill might have been attained by an amendment to the Civil Service Superannuation Act. Has any thought been given by the government to implementing the report concerning that act which was made three years ago? My interest in the matter arises from the fact that I was a member of the committee and took part in drafting the recommendations. It is too bad that so much time has elapsed without consideration being given at least to the recommendations made at that time. I am not sure whether this question is applicable at the moment, but as the matter was mentioned by the Prime Minister I have taken the liberty of asking it.

Mr. MACKENZIE KING: I believe the Minister of Finance has not only made clear verbally that he has considered the recommendations contained in the report to which reference has been made, but that he has also made this clear by some of the measures which have since been introduced by him although offhand I cannot refer to them specifically.

Answering the hon. member's question in the broadest way, I would say that the government has repeatedly considered the recommendations contained in the report to which he referred, but it has felt that because of the larger questions which have come up for consideration and action in this period of war it would be unwise to select this particular time to go at any length into matters pertaining to superannuation, and other questions arising under the superannuation act. My hon. friend will understand that any discussion of the kind at this time would certainly occasion very long debates in this house. There are many considerations of which account would have to be taken. It has thus far been thought by the government that it would be better not to seek to enter upon such discussions at this time, if such could be avoided.

External Affairs

Mr. CHURCH: Mr. Chairman, I was referring to the hon. member for Huron-Perth, not myself. He was a former mayor, and was a member of the war expenditures committee. I should like to see the hon. gentleman nominated. I nominated him once myself. I would not want to be dressed up, going all over the world on such a mission.

Mr. CASTLEDEN: This bill brings certain people under the provisions of the superannuation act, that is, those who have been contributors and shall continue to be contributors under that act. Is the basis of the contribution the amount of salary received?

Mr. MACKENZIE KING: I understand so.

Mr. CASTLEDEN: To what extent is this act self-supporting?

Mr. MACKENZIE KING: This act is the Department of External Affairs Act, and I am not familiar enough with the provisions of the superannuation act to answer offhand any questions in regard to it. I would have to leave it to the Minister of Finance to give to the house the desired information.

Mr. HANSON (York-Sunbury): I am afraid that none of these acts is self-supporting.

Mr. MACKENZIE KING: I think everyone would like to see the act self-supporting, but whether it is or not I am unable to say.

Mr. JACKMAN: I gathered from the remarks of the Prime Minister that he felt that the allowances paid in certain places were inadequate. Is any provision being made, either in the estimates or the supplementary estimates, to make them adequate in view of present conditions?

Mr. MACKENZIE KING: In preparing the estimates for the Department of External Affairs the question of allowances to which my hon. friend has referred was kept in mind. I do not anticipate additional estimates at this session to cover this matter.

The hon. member for Broadview has referred particularly to the position of the legations, or embassies as he calls them, at a time of war. I should like to say to him that I believe the British government and the government of the United States would be the first to say that the Canadian legation at Washington has at this time of war been of the greatest possible service, not only to the Canadian government but as well to the British and United States governments. I can think of nothing that could possibly have been more fortunate, having regard to the kind of questions that have arisen at this

External Affairs

period of war, than that we should have had a legation established at Washington at the time it was. Because of the relations which the Canadian legation enjoys with the departments of government in the United States and because of the fact that its personnel enjoys as well the best of relations with the British embassy and those who are associated with it, as well as the confidence and good will of the British government, it has been of the greatest possible service to the countries concerned at this time of war.

Mr. CHURCH: I see no useful purpose in keeping up all these legations at such great cost. I think the people of Canada do not approve of it. Washington at half cost was enough. It is nothing but separatism. It shows a lack of faith in the ability of the mother country to look after our interests in some of these capitals.

Section agreed to.

Bill reported.

Mr. MACKENZIE KING moved the third reading of the bill.

Hon. R. B. HANSON (Leader of the Opposition): Is the Prime Minister prepared to tell the house now, or before it adjourns, the nominations that have been made in connection with certain positions in the diplomatic service?

Mr. MACKENZIE KING: I have been most anxious to be able to make an announcement before the house adjourns, but it may be that I shall not be able to do this until after the house has adjourned. My hon. friend will understand that it is absolutely necessary for anyone accepting an appointment of this kind to consider what it will involve in the matter of finance, in the matter of leaving this country at time of war, and going to a country that is at war. I have approached different persons in the hope and expectation that their services might be secured for some of these posts, but difficulties have arisen that appeared wellnigh insuperable and which I am sure my hon. friend will understand. I am hopeful that after the house adjourns there will be a chance personally to take the matter up at greater length than has been possible thus far, with some of those who are in view.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, I wonder if something could not be done to make those who speak in this chamber speak loud enough so that we may hear what they are saying? The leader of the opposition (Mr. Hanson) asked what I assume was an important question of the Prime Minister. We could not hear what he said, neither

[Mr. Mackenzie King.]

could we gather from what the Prime Minister said what the leader of the opposition had asked. I believe all that is necessary is to bring this to the attention of the leader of the opposition and remind him that we are all very weary because of the tremendous strain under which we are working, and it certainly does not make things any better when we cannot tell what he is talking about.

Motion agreed to, and bill read the third time and passed.

PRIVATE BILLS

SAGUENAY TRANSMISSION COMPANY, LTD., SAGUENAY ELECTRIC COMPANY AND ALUMINUM POWER COMPANY, LTD.

Mr. W. R. MACDONALD (Brantford City—for Mr. Dubuc) moved that the house go into committee on Bill No. 99, respecting certain transmission and distribution lines of Saguenay Transmission Company, Limited, Saguenay Electric Company and Aluminum Power Company, Limited.

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

On section 1—Governor in council may approve site and plans of works.

Mr. HANSON (York-Sunbury): This bill was considered by the private bills committee, was it not?

The CHAIRMAN: It was.

Mr. HANSON (York-Sunbury): And unanimously reported?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): The reason for the bill is stated in the preamble. If the reason is correctly stated, and I assume it is, it seems to me that in order to avoid any questioning of the rights of the company in respect to the Navigable Waters Protection Act this bill should be passed. I understand that no objection has been urged by anyone.

Mr. BLACKMORE: I think there should be some explanation of the bill.

Mr. HANSON (York-Sunbury): The preamble gives the full reasons.

Mr. MACKENZIE (Vancouver Centre): The sponsor of the bill gave a lucid explanation on a previous occasion, but he is not here at the moment.

Mr. HANSON (York-Sunbury): The position the company occupies has been doubted in some quarters because they proceeded to do certain things with respect to certain rivers in Quebec, which are named in the preamble,

on the theory that those rivers were not navigable. I have had to deal with this statute and I have never thought it necessary to come to the Department of Public Works, which I believe administers the Navigable Waters Protection Act, for approval to cross or to bridge or to build a wharf or dock on any river unless it was a water which was obviously navigable, like the Saint John river. The short tributaries of the Saint John river would not be considered navigable, but apparently someone has attacked the position of this company and they want to protect their position. I think the bill is all right.

Section agreed to.

Bill reported, read the third time and passed.

CONSIDERED IN COMMITTEE-THIRD READINGS

Bill No. 82, for the relief of Annie Miriam Scott—Mr. Bercovitch.

Bill No. 83, for the relief of Marguerite Elsie Ramsay Murdoch—Mr. Claxton.

Bill No. 84, for the relief of Elizabeth Molnar Schneider-Mr. McIlraith.

Bill No. 85, for the relief of Max Kaback-Mr. Bercovitch.

Bill No. 86, for the relief of George McDonald Joseph Carew-Mr. Bercovitch.

Bill No. 87, for the relief of Wandless Joseph Henry Verdon-Mr. Abbott.

Henry Verdon-Mr. Abbott. Bill No. 88, for the relief of Mary Eileen Scott Warrington-Mr. McIlraith.

Bill No. 89, for the relief of Joseph Bergman —Mr. Whitman.

Bill No. 90, for the relief of Marie Martha Hermine Browne Peters-Mr. Bercovitch.

Bill No. 91, for the relief of Ethel Gerson Kalmanovitch-Mr. Abbott.

Bill No. 92, for the relief of Freda Sweet Simon-Mr. Gray.

Bill No. 93, for the relief of Phyllis Mary Alice Verrinder Horell-Mr. McIlraith.

Bill No. 94, for the relief of James McKinna Wood-Mr. Bercovitch.

Bill No. 97, for the relief of Leah May Jarvis Traver-Mr. Hazen.

Bill No. 100, for the relief of Barbara Patricia Strange Wolfe-Mr. McIlraith.

Bill No. 101, for the relief of Bella Miller Keller-Mr. McIlraith.

Bill No. 102, for the relief of Effie Euphemia Shannon Monette—Mr. Boucher.

Bill No. 103, for the relief of Elsie May Cape Newman-Mr. Bercovitch.

Bill No. 104, for the relief of Bella White Wolfe—Mr. McIlraith.

Bill No. 105, for the relief of Alan Swabey --Mr. Bercovitch.

Bill No. 106, for the relief of Jean Walker Creighton King-Mr. Bercovitch.

Private Bills

Bill No. 107, for the relief of Alice Beatrice Armand Roberts—Mr. Hanson (Skeena).

Bill No. 108, for the relief of Frederick William Merchant-Mr. Hanson (Skeena).

IRMA KERN ULRICH

The house in committee on Bill No. 109, for the relief of Irma Kern Ulrich-Mr. Hanson (Skeena)-Mr. Vien in the chair.

On section 1-Marriage dissolved.

Mr. CHURCH: Mr. Chairman, before these divorce bills are all disposed of I want to say a word. Some of these cases have been before the law courts of Ontario where the parties were domiciled; then they moved over to the sister province, where they have no divorce court, and now they have applied to this parliament for a divorce. I would like that matter looked into.

There is another matter. I do not wish to take advantage of the absence of the Minister of Justice, but I should like to say a word with reference to Bill No. 67, standing on the order paper in my name, to amend the Judges Act. In the province of Quebec there has been a decision in the court of appeal that the judges must adhere to the laws of the country because under our constitution the courts are subservient to the legislature. There have been decisions by one or two judges in the province of Quebec that they will not obey the law and follow decisions of the court of appeal of Quebec. My point is that by the decision of the court of appeal of the province of Quebec or other final court, the judges are bound, and they must follow, as is the custom, the decision of the court of last resort.

Bill No. 67, to amend the Judges Act, has been standing on the order paper for a long time. I hope that the government will take it up. Parliament has the appointment of judges, and the province has jurisdiction. The federal government is the appointing power, and the provincial authority has to do with regulations and constitutions of provincial courts. There should be some decision given by the Attorney General of Canada or by some other authority with respect to this matter, and I hope that that will be done in the recess.

I also think that a public bill like Bill No. 67, to amend the Judges Act, should be given precedence over these private bills. Bill No. 67 is a public statute and should take precedence over these divorce bills which occupy the time of parliament with the concerns of private citizens. On grounds of public policy I protest against that practice.

Mr. MACKENZIE (Vancouver Centre): Mr. Chairman, I assure the hon. member that I shall bring his remarks to the attention of the Prime Minister and the Minister of Justice.

Section agreed to.

Section 2 agreed to.

Preamble agreed to.

Bill reported, read the third time and passed.

SUPPLY

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

DEPARTMENT OF AGRICULTURE

Production service.

27. Live stock and live stock products, \$553,026.

Hon. J. G. GARDINER (Minister of Agriculture): Last evening we passed all the items in the general estimates with the exception of No. 27. It will be recalled that under production, a question having to do with the marketing of live stock was raised by the hon. member for Haldimand (Mr. Senn) and I asked the committee to consider the questions then brought up under this item of live stock and live stock products. Last night, in view of the fact that the member for Haldimand and some others who are interested in the matter were not present, I asked to have that item stand and we went on and passed the last item under "specials". The items left include 27, live stock and live stock products, under which I had hoped to be able to discuss the question of labour as applied to the raising of live stock, and also the question of shortages in beef, which we have discussed on a number of occasions, and four items under specials, namely, farm rehabilitation, farm assistance, wheat acreage reduction and assistance to improve cheese and cheese factories.

Mr. ROSS (Souris): I presume that under 27 we can follow up the excellent study made by the hon. member for Haldimand yesterday afternoon. I take it that the marketing of beef would come under the board set up in connection with price control.

Mr. GARDINER: Those are two items which I shall discuss. There were two or three members on their feet last night when I asked the chairman to have the discussion taken under item 27, and I should like to give those members an opportunity to ask whatever questions they have in mind or make whatever statements they wish to make before I deal with these matters.

[Mr. Church.]

Mr. ROSS (Souris): The member for Haldimand covered the subject very well both as regards the difficulty of feeders of beef and from the standpoint of farm labour. There is another point that is disturbing to many producers and feeders, and one which eventually will affect the nation as a whole with regard to foodstuffs. That is, the question as to what regulations have been made with regard to price control for feeding cattle this winter. We know that there was a price crash in June and early July of 3¹/₄ cents per pound live weight. If a man desires to feed cattle he is now faced with the impossibility almost of procuring efficient farm help. If he makes an outlay for the purchase of feeder cattle this fall and feeds them costly material in the winter-and grain will be in demand. I have no doubt, throughout the north American continent-he will naturally be anxious to know what assurance there will be that he will receive a reasonable remuneration for his labour, the cost of feed and other costs when he comes to market his cattle next spring or towards midsummer. What will be his return for feeding cattle, which is so essential to the food requirements of the nation? I think the minister should make a statement covering that angle.

Mr. WRIGHT: May I call the attention of the minister to the matter of establishing a board of live stock commissioners in Canada to go into the whole marketing of live stock. At an earlier date I drew his attention to this particular question and he said that the producers would have to be willing to bear the cost of grading if this commission were appointed. I cannot quite agree with him on that. Grading is important, but it would not of necessity have to be taken up at once. There are a great many other things in connection with the marketing of live stock which such a commission could adjust. I know that from time to time, in different seasons of the year, there is a considerable variation in the price of live stock. There is a variation as between different markets, and there is also to be considered the fact that packers to-day are buying larger and larger quantities of stock direct from producers rather than through the public markets. The public markets are establishing the price which is paid for that product, and I think there is plenty of scope for such a commission even without the matter of grading. The government has signed an agreement with regard to the wheat problem and the result is that we in the west are going to have to reduce the amount of wheat grown there, so that there is only one thing that we can turn to, and that is live stock. In western Canada we shall

have to produce more live stock if we are to maintain the agricultural economy we have there. A live stock commission appointed at this time could take up the whole problem of the marketing of live stock and live stock products, and this would stabilize the market and have a good effect on production, which is so necessary at this time. I bring this matter again to the attention of the minister and ask his opinion on it.

Mr. HATFIELD: As the war has shown, we must change our agricultural policy and use more farm commodities in the manufacturing stage, and I contend that agriculture in Canada is now in that stage. This being so, I would make a few suggestions:

1. That there be no price ceilings on agricultural products without a floor assuring the cost of production to the farmer.

2. That all ceilings or floors on agricultural products be approved by the Minister of Agriculture before going into effect.

3. That two pilot laboratories be erected, one in western Canada and one in eastern Canada, to carry on the research study of the utilization of farm products.

4. In order to ensure a supply of meat products a ban should be put on the slaughter of calves under one year of age.

5. To ensure a wool supply for our own needs, there should be a selection made of the ewe lambs for sale. These should be purchased by the government and resold to the farmers on easy terms.

6. Farmers should be encouraged in localities where sugar beet factories are now located to grow beets to the capacity of these factories. There should also be assistance given to the two cane sugar plants in the maritime provinces to change over from cane to sugar beet and the farmers should be encouraged to produce sugar beets.

7. The farmers of western Ontario and Manitoba should be encouraged by subsidy to grow corn to ensure a supply to keep the two cornstarch factories, located in Ontario, producing to capacity, so that we would have a supply of starch, glucose and oil by-products from these factories.

8. A subsidy should be worked out ensuring the same price for dairy butter as for creamery butter, as the number of dairy butter makers will increase owing to lack of transportation.

9. The price of cheese should be made uniform in every province in Canada. If there is to be a provincial subsidy, it should be in each province with the assistance of the federal department. 10. A subsidy on fertilizer should be used to assist in the transportation of fertilizer chemicals, thereby ensuring a lower price to all buyers of fertilizer.

11. There should be more cooperation between the federal Department of Agriculture and provincial departments of agriculture. All overlapping should be done away with.

12. Grain alcohol plants should be established in western Canada to produce alcohol from wheat and barley for the manufacture of synthetic rubber. I understand that synthetic rubber can be made from wheat at the present prices at a cost of thirty cents a pound, whereas the cost of synthetic rubber from petroleum products would be around forty cents a pound. The processing of synthetic rubber from grain is much quicker, with less expensive plants.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. McCUBBIN: I should like to say a word to the committee with regard to a situation which is very close to me, coming as I do from one of the best beef cattle raising districts in Ontario. We find ourselves in a very uncertain situation. The minister may say this is not a matter that comes under his department, but the people whom I represent, who are principally farmers, feel that the minister and his department should look after their interests, and they always look to him to do so. I can say also that the minister has been very fair with the farmers of Ontario. We have not always agreed with him, but he has done a good job, and we appreciate what he has done.

As I listened to the hon. member for Haldimand (Mr. Senn) last night when he reviewed the cattle situation, and read some of the speeches he made in other years, I thought I might take a few minutes of the time of the committee to deal with the cattle situation as it has varied during the last number of years. I go back to 1910, when Sir Wilfrid Laurier was leading the government and the present Prime Minister was a member of his cabinet. That government was endeavouring to negotiate a trade agreement with the United States for the benefit of the rural people of this country. I was only a boy at that time, but I remember quite well the reciprocity election of 1911, when Sir Wilfrid went down to defeat fighting for the farmers of this country, endeavouring to put through a trade agreement in their

44561-298

interest. The present Prime Minister suffered personal defeat at that time also, at the hands of the electors of North Waterloo. The farmers were fooled then, but they have never been fooled since.

Then in 1912, when the Democratic party came into power in the United States, they put into effect the well known Underwood treaty under which our cattle were allowed free entry to the United States. After that treaty was negotiated the farming population of this country enjoyed prosperity. Then we came to the last war, when cattle prices were inflated. None of us wants to see that happen again, but I will say that during the great war the cattle raisers did make a reasonable profit. Later on, in 1920, when prices collapsed, the profits the cattle raisers had made were wiped out, sometimes in a single day. Then we had the Fordney-McCumber tariff of 1922, and things went along from then until 1929, with the cattle raisers enjoying reasonable prosperity. Suddenly the depression came upon us, and we all remember what happened from 1930 to 1935, when our cattle were sold on the farm at from $3\frac{1}{4}$ to $3\frac{3}{4}$ cents per pound. In 1936, however, the Prime Minister negotiated a trade agreement with the government of the United States under President Franklin Roosevelt, allowing us to ship our cattle to the United States under a two-cent tariff. and once more the cattle raisers became prosperous. When that trade agreement was renewed in 1939 that tariff was reduced from 2 cents to $1\frac{1}{2}$ cents. Then an arrangement was made under which we were given a quota of approximately 190,000 cattle to be shipped to the United States on a quarterly basis. The cattle raisers got the benefit of that extra one-half cent.

Then came this war, in 1939, and prices were inflated, but not a great deal. We continued to receive a reasonable profit both on cattle shipped to the United States and cattle sold in the home market. Toward the end of last year and early this year a ceiling price of 19¹/₂ cents was placed upon beef carcasses, which decreased our profits to a certain extent, and later the cry went up that we were short of beef during the winter and spring. The cattle raisers of this country disposed of a large portion of their cattle during March and April, shipping some to the United States and some to the home market. The first quarter, January to March, was filled very quickly; the second quarter, which began April 1, was filled in about five weeks. Then we had a food production board set up under the wartime prices and trade board, headed by Hon. J. G. Taggart, a man whom I hold in the highest regard and who I believe under-[Mr. McCubbin.]

stands the problems of the cattle raisers of this country. This board established a seasonal ceiling on the price of beef carcasses, which dropped from $19\frac{1}{2}$ cents to 16 cents during the month of September.

What happened? There was an inflation of price even after the quota was filled during the first week in May; the price to the cattle raisers went to about 134 cents. The packing houses and butchers paid that price for cattle, but after this seasonal drop took place, during July, the cattle price dropped at a rate which was not healthy for the cattle raisers, and that drop is continuing week by week. You may say that I should not criticize or find fault unless I have something better to offer. I should like to explain how this works and how it is detrimental to the Ontario beef producers. After the shortage of beef that we experienced last winter, this food production board was authorized to step in and buy cattle at the export price in the markets of this country, in Calgary, Winnipeg and Toronto. They were authorized to pay for these cattle at the export price and to sell them to the packing houses at a price corresponding to the ceiling. I will say that last week when the price to the exporter was 12 cents a pound it was being sold to the packing houses at 10.65 cents. The government was making up this difference. That may be all true, but the man who was suffering was the farmer back on the back concession who did not understand this set-up. He read in the paper that the cattle were being sold at 10.65 on the Toronto market. The drover would go back into the country, and state that on the market in which he must sell these cattle he would receive 10.65 at the very top, and that he must be able to buy from the farmer for 10 or 10.25; yet in reality he was receiving 12 cents for those cattle.

Some may say that the farmer should understand that, but the fact is that he does not understand it. As all hon. members understand, he is to-day working some sixteen hours a day, striving to save his crops, and to do the work of two men on his farm. All he reads is the newspaper headings, in which he sees the price at 10.65. The drover will tell him that that is the price he is receiving, and that he should be fair and sell his cattle at 10 or 10.25 and sometimes less. That is what he is doing. I have every respect for the drovers; they are a fine group of men but the farmer is being exploited where he does not understand the situation.

This is not a healthy attitude for cattle raisers who are disposing of their cattle. In the district from which I come cattle are going out, carload after carload. All railway stations are shipping them out. The farmer sees the price drop down by half a cent, and then by another half cent, every so often, and he knows the price has dropped and he is disposing of his cattle for what he can get for them. Those cattle should be kept on the farms until August or September, when they would become firm and hard, and produce more beef. This is a seasonal drop, the price of which drops down in the late fall, and then rises again in the winter, and continues to rise until the following June, when it again drops, and the same thing happens all over again. Then for grass-fed cattle, which should be disposed and sold during July and August, he will receive the low price. I feel that this is detrimental to the cattle raisers of my district, and also to those in the west. My idea is that the board should step out of the picture entirely. It could be kept in operation, but there should be permission for a free exchange of cattle with the United States.

My statement may be disputed, but I feel that we have in Canada to-day cattle enough to fill our quota of 190,000, and still keep our home market going. I believe that that is a true statement, and that the board should be kept in abeyance, rather than in operation. If the packers and the butchers do not play fairly with the farmers and the drovers on the open market, then the board could step in, but I have always been a firm believer in low tariffs. I belong to that group of people who believe that there should be an interchange of trade, and I believe, too, that much of the trouble in which we find ourselves to-day can be traced to high tariffs and restricted trade.

I am a firm believer in the flow of cattle to the United States, because I believe we should keep that market over there. We do not wish to sour our American buyers. I say that because I know that our prosperity as cattle raisers on the farms of Ontario is to be found in the days when the United States buyers and commission men representing packing houses of our own country come to our farms. In those times we have competition and opposition, and as a result we receive a fair price for our cattle.

All the cattle raisers are asking is a fair price. It may be said that they are receiving that price. Some may say, "Why, that is a wonderful price; it is all profit." Only those who are closely connected with the raising of cattle realize what it costs to produce a steer or a heifer in shape to sell on the market for beef. I know this government is sympathetically disposed toward the farmer, more so than any other government has been. As I 44561-2983 said before, our Prime Minister suffered defeat some years ago when fighting for the farmers of this country, and he is still sympathetic toward them.

I ask that the food production board step out of this picture, and let the free exchange of cattle take place with the United States, as well as in our home market. We feel we can fill our quota, supply our home market and thereby give a fair return to the cattle raisers of this country.

Mr. EVANS: Following what has been said by the hon. member for Middlesex West I should like to say a few words about the cattle industry in western Canada. Coming from a constituency composed largely of ranches, and one which produces a great many feeder cattle, I should like to go on record as being in favour of the suggestion offered by the hon. member for Middlesex West, namely that the board step out of the picture and leave a free movement of cattle on the market.

Since the United States trade treaty of 1936 came into operation, the feeder exporter has grown up in the cattle market. During the year throughout western Canada the feeders contract with the ranchers and farmers for the purchase of feeder cattle at different periods of the year. The feeding of cattle has become a yearly occupation, and hundreds of tons of Canadian wheat are being fed to those cattle in western Canada.

Recently I had communication from some of those large operators in western Canada with respect to the business of finishing these feeder cattle. When they have had cattle ready to go to the market in July we find the board has stepped in and caused considerable difficulty for the exporter. In fact I know of one large exporter who has two large feeding plants in Alberta, one at Cardston and the other at Picture Butte, who feeds on an average of 25,000 to 35,000 head of cattle a year. These cattle were mostly exported to the United States, but they take up a lot of the slack in the trade in western Canada. While we produce a great many feeder cattle and ship a great many of them to eastern Canada, if we did not have those large dealers operating in western Canada the feeder market would break and the producers in the west would receive a low price for feeder cattle.

I strongly support the argument presented by the hon. member for Middlesex West to the effect that the wartime food corporation should keep off the market, excepting in cases where it is necessary to have more beef for the Canadian people. I agree that we can fill our quota in the United States and supply all the beef needed in Canada. In fact I do

not agree with those who say there is a shortage of beef in Canada, because I know that the production of live stock has increased since 1936, particularly in western Canada. I believe we have enough beef going onto the market this year to more than supply our Canadian demands. In fact it would be just too bad if we continued to operate as we have done during July, and prohibited cattle flowing to the United States market.

In a report issued to-day by the Department of Agriculture I notice we have shipped only a few more than 4,000 head of beef cattle to the United States in July, while last year in the same month we allowed about 13,000 to cross the line. This year we have more cattle in Canada than we had last year, and if we fool with the quota, through the operations of the food control board, there is the possibility of our quota with the United States being cut down in another year.

I was talking only recently to one of the large feeding operators, and he tells me that if they cannot feed Canadian cattle and are assured that they will be allowed to export at least up to the quota, it is very likely they will pull out of the feeding business in Canada and get their cattle from Mexico. So that there is always the possibility that we may lose our quota. We hope this war is not going to last forever. It will be just too bad for the cattle raisers of Canada if anything should happen to the quota we now enjoy under the United States trade agreement. I strongly urge upon the minister and his officials that they endeavour to have a free movement of cattle on the Canadian market.

Mr. ROSS (Calgary East): A great deal of uneasiness exists among the stock raisers of western Canada because of the action of the wartime prices and trade board. Last April a story appeared in the press to the effect that restrictions would be placed upon the ship-ment of cattle to the United States. Under the 1935 trade treaty the United States tariff on Canadian cattle over 700 pounds in weight was cut from 3 cents to $1\frac{1}{2}$ cents per pound. The United States permitted 250,000 head of cattle to be imported each year, Canada's share being 193,950 head. The stock raisers of western Canada were alarmed over the possibility of our not being allowed to fill that quota. The press carried dispatches to the effect that Mexico was endeavouring to have her quota increased at our expense. If that should happen, the cattle industry of all Canada would suffer.

When these announcements were made last April I received several communications from the west, and I should like to read one or two in order to show the feeling that exists. [Mr. Evans.] The Okotoks United Farmers of Alberta, an organization containing some of the most prominent stock raisers in that province, wired as follows:

April 22, 1942.

Geo. H. Ross, M.P., Ottawa, Ont.

Dear Sir: We members of Okotoks U.F.A. strongly oppose any restrictions on export shipments of cattle to the United States. A move of this kind by Canada would force United States to enlarge quota of Mexican cattle to the detriment of Canadian producers. As you will see this would have the effect of flooding our market. This in turn would reduce the price, lessen competition among packers and enable them to make greater profits at the expense of cattle raisers. Last year when restrictions were placed on exports of heavy bacon, price dropped immediately three dollars per cwt. The same thing will happen to cattle. This in turn would discourage production and be Canada's loss.

Respectfully,

Okotoks United Farmers of Alberta, J. M. Hutchinson, Secretary.

For the past sixty years the Lloyds have been prominent stock raisers in Alberta. I received the following letter from Mr. J. E. R. Lloyd.

April 23, 1942.

Dear Mr. Ross:

I observed in the newspaper that the house will soon consider a recommendation by Mr. Gordon for some restriction on the export marketing of beef. I, as a life long rancher, am looking to you to see that the proper interests of the producers of cattle are reasonably protected.

The ceiling on beef for sale to the retailers by the packers was fixed on the basis of prices in September and October. Those are the months when beef has been cheapest in the many years I have been ranching. The reason for that is that grass fed cattle are sold in those months and grass fed cattle have cost the producer less than the fed cattle.

Now the packers having a maximum price at which they can sell beef to the local retailers have found that they cannot without loss buy the fed cattle at the prices which prevail by reason of the export market and resell to the local retailers at the ceiling price fixed by the prices and trade board.

In my opinion the remedy for this situation is not to put an embargo on the export of cattle which would have the result of lowering the price which the producer may obtain for beef cattle, but rather to adjust the ceiling fixed by the prices and trade board so that the packers could afford to buy the beef from the ranchers for sale to the local retailers in competition with the export market.

From inquiries I have made I believe the beef now on hand and in sight in Canada is well above normal. The trouble is that the price fixed is too low to keep the beef here for use in Canada.

I have heard that the representatives of the western stock growers and producers association and representatives of the government of Canada are meeting in conference in Winnipeg on Saturday, April 25. They may arrive at some satisfactory solution but in the meantime I am urging you to use your best influence against an embargo on the export of beef. If we do not fill our quota to the U.S. we may lose the privilege of that quota and not be able to regain it.

Yours very truly,

J. E. R. Lloyd.

The United States market is of tremendous importance to the stock raisers of Canada. We have never been able to market our cattle satisfactorily in Great Britain. Our logical market is the United States, and if that market should be lost it would be most unfortunate. When I received these communications I thought of bringing this matter to the attention of the house, but Wartime Food Corporation was formed about that time. I expected that this food corporation would go out on the market and buy cattle. If it was thought that cattle were being sent to the United States in too great a quantity they could have gone into the stockyards and paid ten cents a pound more and obtained the cattle needed to supply Canada's market. That action would have created harmony and good will among the ranchers of Canada. Any temporary shortage of beef that existed could have been supplied in that way and the United States quota could have been filled later. The additional cost to the treasury, if any, would have been trifling.

But that procedure was not followed. The United States buyer comes to Canada and buys a herd of cattle. He applies for per-mission to ship those cattle to the United States. Permission is refused; his cattle are seized and he is told he must go home without them. But that is not all. He must wait in Canada until the cattle are sold, and then he is paid for the cattle in Canadian money. He brought into Canada United States currency to buy the cattle, but when they are sold he is paid in Canadian money. But Canadian money is of little use to him here, because he cannot take take it back with him across the line without a permit; and so there is the further aggravation of having to wait a number of days here until he gets a permit. The result is that when he goes back to Seattle or wherever he came from he is going to tell all the stock raisers among his friends and neighbours of the treatment he received in Canada, and in that way we are losing a great many customers that we can ill afford to lose. Not only is the man who comes up here not allowed to take his cattle away, but his neighbours and friends in the city to which he returns are told of the treatment he received, and that is hurtful to our cattle industry. Can the minister give us some assurance that

Supply-Agriculture

this will be corrected and that it will not occur in the future?

Mr. GARDINER: The hon. member for Lambton-Kent and the hon. member for Haldimand last evening raised two questions which have been discussed at some length to-day. The first one had to do with the labour supply for agriculture in different parts of Canada, more particularly in Ontario, and the second had to do with the marketing of beef. I stated last evening that I would attempt to reply to what had been said and give any information I possibly could on those two points when we were discussing this item.

I should like first to deal with the labour situation. I have said on one or two occasions that the time would come in Canadian agriculture when we would be employing perhaps all of the labour in agriculture that we could justify under war conditions. I mean by that that there are three different uses that can be made during the war of any man-power that we have in Canada. First, man-power can be used for the production of food; second, it can be used for the production of war munitions and war equipment; and third, to provide men for the armed forces. It goes without saying that up to a certain point the most important part of the programme in so far as it affects man-power has to do with the first two of these three activities. Being a nation which never is prepared for war until war comes, it follows that we have to provide those things which are necessary for the maintenance of armies at the same time as we are providing the army itself, and in Canada we have been carrying on along that line. I sometimes think we had approached the point I prophesied when we attempted more or lessto freeze labour on the farms last spring.

To indicate our present position to the committee and to others interested in the labour situation in relation to farming, may I place on *Hansard* a few figures which are based upon the registration made in 1940, and which have been brought up to March 31, 1942. The figures are not official in this sense, that they were made up by officials of our department; that is to say they do not come from the statistics branch and probably could not be proven down to the last man.

The total male population of all ages from 16 up, eligible for work or service, is 3,900,000. Of this number there are 1,511,000 over 45. This leaves approximately 2,400,000 males between the ages of 16 and 45. The number of single men and widowers without children is 1,511,000; single men in the armed forces, 360,000; married men in the armed forces, 104,000; single men farming, 429,000; married men farming, 871,000. In each case I am giving round figures. In other primary industries—mining, lumbering and industries of that kind—there are 62,000 single men and 190,000 married men; construction industries, single men, 63,000; married men, 194,000. In all other employment, which includes clerical work, work in munitions plants and factories of all kinds all across Canada and in transportation, there are 597,000 single men and 1,800,000 married men.

Mr. SENN: Are these figures for April of this year?

Mr. GARDINER: As of March 31, computed on the basis of the registration of 1940. What I wish to point out with regard to these figures is this: There were 429,000 single men on farms, farm labourers and sons of farmers, on March 31 last, about the time we attempted to freeze labour on the farm.

The only other large pool of labour, single men, is the last group, consisting of 597,000 employed in all other activities other than the primary industries. In leaving those figures with the committee I wish to emphasize that there are only two large pools of man-power, single men, from which more men can be drawn for military service if we require large numbers of men in the military service of this country. One is the 429,000 on the farms, and the other is the 597,000 in all other employment. Many of the 125,000 engaged in primary industries and construction would be frozen there if we were following the freezing policy throughout. Those are the two large groups from which the men would be required to be drawn if we desire greatly to increase our armed forces.

The other point I wish to make in connection with these figures is this. We have made remarkable advances in our production upon farms since the war started. I do not know that I would care to place a long list of figures upon the record in that regard, but someone has said, and I think it comes from the economics branch of our own department, that if you make a careful survey of the year 1938 and of the production values of 1938 and then make a careful survey of the last complete year, you will find that there has been a 40 per cent increase in the value of farm production in Canada as between 1938

But that does not give the picture I am desiring to give at the moment. I am trying to show to the committee that there has been an actual increase in the production of our farm commodities, which of course leaves out of consideration the prices obtained for them. In 1938 we marketed 3,700,000 hogs, and this year we are attempting to market, and probably will succeed in marketing, about 7,000,000, almost double the number. We [Mr. Gardiner.]

marketed 1,183,000 cattle in 1939, and 1,400,000 in 1942, or an increase of 220,000 in 1942 as compared with 1939. But I would emphasize the fact that since the war began we have not been pushing, until this year, an increase in the production of beef cattle, the reason being largely that we were producing an increased output of those commodities which we were marketing in Britain and which Britain required in order to have increased food supplies there. We were not and we are not sending beef to Great Britain, and so we were pushing the production of dairy products and hogs.

So far as butter is concerned, we increased marketings last year by over 20,000,000 pounds as compared with the preceding year. In other words, we were maintaining production at about consumption level in butter, and that was what we aimed at. We did not expect anything better.

The cheese marketings in 1939 were 125,000,000 pounds, and the marketings this year will be about 160,000,000 pounds, so that there has been a remarkable increase in the production of this commodity.

So far as grains are concerned, there will be an increase in production in oats, barley and flax. As a matter of fact, there will be an increase in all grain products in which we have been trying to bring about greater production. In all probability there will be a decrease in the number of bushels of wheat produced, but we must remember that there has been a switching from wheat to coarse grains amounting to between seven and eight million acres as between the two periods of time. Much of that acreage has gone from wheat into coarse grains, being responsible for the increase in coarse grains.

The exports of eggs for 1939 were 8,460,000 dozen, and for 1942, 17,540,000 dozen. I think it will be agreed, from this, that there has been a remarkable production in the foods required to assist in winning the war.

There has been a similar increase in poultry. There has been an increase in all milk products during that period of time. I will not attempt to give the complete figures with regard to that increase in milk products, apart from what I have given in connection with dairy products which are required to assist in feeding the British public. I give these two sets of figures side by side to indicate that we have done a very good job in increasing food production, and we are hopeful that, with the fine crop we have all across Canada this year, and with the application to the problem of an amount of labour similar to that which we applied last year when there were less favourable crop conditions, we ought to be able to increase our food production con-siderably this year. The weather has been more friendly to us and will help towards that end. These two sets of figures should bring us to this conclusion, that from now on we shall have to do with no greater volume of labour across Canada than we have at the moment. The probabilities are that the labour which we shall have available for farms will decrease rather than increase, and an attempt will have to be made at reorganizing the labour we have and to move it from place to place, as the Minister of Labour is providing for, in order to assist in the harvesting of crops in one area at one season, and in another place at a different season, or harvesting different crops at different seasons and moving from one place to another as the season requires. That may have to be done in order to increase if possible food production in Canada, at a time when probably there will not be more labour.

Any movement of man-power will probably have to be from both of the pools I have spoken of into the armed forces rather than in any other direction.

The other question having to do with beef is one that I should like to deal with in a few words. The Minister of Finance yesterday agreed to bring down the names of the members of the advisory beef committee, but he was not able to do so at three o'clock and he suggested that I might put them on the record to-day. The prices board, as hon. members have emphasized in the discussions which have taken place, is administered in the Department of Finance, and the advisory committee is naturally appointed through the activities of that department rather than through the Department of Agriculture. I am informed, however, that all these men who are on the advisory committee, with one exception, were nominees of farm organizations, those in most provinces being nominees of the various organizations which I shall name, and some of the others being nominated by the federation of agriculture for Canada. I believe the latter applies particularly to the men named from Ontario.

The following are the beef advisory committee:

British Columbia: Leslie Cameron, Ashcroft; British Columbia Beef Cattle Growers Association.

Alberta: George C. Ross, Lethbridge; Western Stock Growers Association; H. L. Taggart, Olds; Central Alberta Cattle Feeders Association.

Saskatchewan: M. Wylie, Battle Creek; Saskatchewan Stock Growers Associationwho is well known to the hon. member for Supply-Agriculture

Maple Creek (Mr. Evans), and one gentleman, I understand, who was not nominated by a farm organization but by an official of the agricultural society in the city of Saskatoon. I refer to Alex McMillan, of Juanita, Saskatchewan, cattle feeder.

Manitoba: William Bryce, Dougald; Manitoba Federation of Agriculture.

Ontario: Stewart Brown, Shedden; Ontario Feed Cattle Committee; B. Warnicka, Barrie; Ontario Cattle Breeders Association.

Quebec: N. G. Benett, Bury.

Nova Scotia: Walter Oulton, Windsor; Maritime Federation of Agriculture. He represents the federation of the three provinces.

These are the men on the beef advisory committee. I am told they are all farming and doing nothing but farming. It will be agreed therefore that they would be regarded as representative not only of farmers but of farm organizations interested in the beef trade.

Certain statements have been made with regard to the beef situation. I am not going to give many figures but I will agree with what has been said by members who have spoken from different groups in the house, that more cattle have been marketed in the first six months in 1942 than in the first six months of 1941, and from the information we have there would appear to be as many cattle in Canada at the present time as we have had over a very considerable period of years, going back to the year following the last war, if not for a longer period than that.

The figure of weekly marketings of cattle from January 1 to July 16 last for this year were 566,984—practically 567,000. The figure for the same period a year ago was 535,693, an increase of over 30,000 head marketed in that period of time, six months and two weeks, bringing us down almost to the present time as compared with last year. That shows that the statement made that the marketings have been as high is correct. The inspected slaughterings are up just about proportionately to the figures with regard to weekly cattle marketings.

Then with regard to exports, the suggestion was made by the hon. member for Calgary East that the shipments to the United States during the last two weeks have been comparatively low, but that is not true of the first six months of this year. During the first six months of this year we exported to the United States just about twice the number we did in the first six months of 1941. The round figures would be 50,000 in 1941 and 100,000 in 1942. There is this further fact, that although our marketings in Canada have been up, the consumption of beef in Canada is up also, up

even more than the marketings. One reason is that we have military camps all across Canada, and anyone who has ever been in a military camp or worked in a lumber or railway camp knows that men enjoy beef more than any other meat when they are working at hard labour out in the open air, particularly in the summer time. They eat it in a manner which does dispose of a considerable quantity. We are having that experience in Canada at the present time. The best of our beef is going to the military camps. A higher price is being paid for what goes to military camps than anywhere else. The men are being fed on the best we have and are consuming it in great quantities. In addition, there is increased purchasing power. The result is that there has been what is called a shortage, in the sense that there is a greater demand for beef in Canada than even the increased deliveries have been providing for.

It was to deal with that problem that the price board started to do something. Last fall the price board established ceiling prices on a large number of commodities, on practically everything that is on sale in Canada. Among other things they provided ceiling prices on beef-but not on cattle-at the highest rate which existed between September 15 and October 11. It so happens that the prices which then prevailed for beef did make possible a higher cattle price than prevailed at that time. The reason is obvious. That is the period at which cattle are coming off the grass in considerable numbers, the period at which in most years the price is down rather than up as compared with say July. But last year we were in a period of rising prices for cattle, brought about by the condition developing of which I spoke a short time ago, with the result that cattle did not go down to the extent that might have been expected in September, but they were down as compared with what they would have been had the cattle not been coming in in the volume they did. In other words the price probably was a half to three-quarters of a cent lower on cattle than the price prevailing for beef made possible at that time.

We started with that price on beef as the ceiling. In other words the board had said: No one may sell beef at a higher price than that; and they allowed the price of cattle to vary in relation to the price of beef. We went along fairly satisfactorily until March. Some foresaw that there would be difficulty in March, and there was some discussion even as early as January, but the first attempts to grapple with the problem in an effective way were made about the end of February and during March.

[Mr. Gardiner.]

There was a condition existing then which has been explained by hon. members this afternoon and which everyone admits. Farmers had purchased cattle last fall and put them into feeding stalls across the country with the intention of selling them on the United States market in the spring or on a Canadian market that would bear a relationship to the United States market. In other words they expected their surplus to go to the United States market. Without going into a discussion of the details of how it was brought about or what happened, all I wish to state is that the market was kept open during the second quarter of the present year, with the result that over 50,000 head of cattle went over in the first five weeks following April 1. That 50,000 was approximately the quota allowed into the United States in a quarter. After that had happened there were discussions with regard to how we might deal with the problem for the coming year. Any farmers who had put cattle in feeding lots or stalls last fall had the full benefit of the United States market in April of this year and the early part of May.

A plan was then laid down under which it was hoped to benefit by the experience we have had since September and during last year and to take care of any difficulty which might otherwise arise. Anything done had of necessity to be more or less experimental; nothing of the kind had been tried before. One of the objectives that everyone has in mind is to attempt to deal with it in such a manner as not to interfere with the quota which has been established in the United States for cattle. Another-and perhaps this has been placed first—is that we sought to retain a sufficient amount of beef in Canada to meet the requirements of our own people. This is in part because we wish to reduce our consumption of pork in Canada in order to be able to supply more bacon to Great Britain than we otherwise would be able to supply. So that in addition to establishing a ceiling price for a commodity that enters greatly into the cost of living, an attempt is being made to retain a position where not too great demands will be made upon pork which the British require, and which we are informed they are even more anxious to have during the coming year than they were during last year.

Having said that I should like to say that there was a certain price level established last year in connection with the marketing of beef, and I will give a few figures to indicate what it was. There was no great change in the price from October to January. For example, the price of good steers on October 2, was \$9.06 per hundred at Toronto. That is for good steers-all these prices are for good steers at Toronto. The last week in October the price was \$8.71-that is the average for the week. For the last week in November it was \$8.64. For the last week in December it was \$8.98 and for the first week in January \$9.30. For the last week in February it was \$9.75, and for the last week in March \$9.87. During that period it will be noted that there was a variation of about a cent a pound. There was very little variation until December, and then an increase of about a cent a pound in January and February. The price in the last week of March was \$9.87, still not a very considerable increase, though during the month it was up to 10 cents for one week. In April, taking the last week of the month in each case, the price was \$10.69, in May, \$11.69, and in June, \$12.90. During the week of July 16, which is the last week for which I have the figures here, the price was down to \$10.66.

The intention of the food corporation is to take advantage of this experience-and I may say their intention is in line with the recommendations made by the federation of agriculture and others across Canada-and try to establish a price level in the fall of the year which will make it possible to take in feeders in the fall, feed them through the winter and deliver them in the spring. I would ask hon. members to keep in mind what I stated in the beginning, that the price level for beef made possible a higher price for cattle than prevailed last fall, but probably I should also say that the price of cattle during certain days in the month of June was higher than the ceiling price of beef would have permitted. There has been a sliding scale provided for beef for the coming year, beginning at the same level in September as last year but running up to a level which would make it possible to pay an amount equivalent to the extra cost of keeping cattle from the fall of the year until the spring as compared with feeding them on the grass. I would emphasize the fact that this is a ceiling price, not an assured price. This year, however, when there was not an assured price, we had the experience during certain weeks in June of obtaining more for the cattle than any assured price could have given. There is always the possibility that for a limited period of time that or even the reverse may develop under conditions now obtaining. This is guarded against by a proviso which has not been emphasized in any publicity I have seen or during this discussion.

As I said a moment ago, one of the objectives of the price board, the Department of Agriculture and others interested has been to maintain the position we have occupied in the

Supply-Agriculture

United States, in relation to our quota. The first part of the arrangement which holds cattle in Canada is the only part that has been in operation so far, and for that reason we have been hearing the criticisms without being in a position to state the advantages which may accrue. I believe the hon. member for Maple Creek said some four thousand cattle had been marketed in the United States during the weeks immediately following July 1, as compared with a considerably larger number last year. But this further fact should be stated, that the food corporation has taken possession of a similar number of cattle, though I have not the exact figures, which they have kept in Canada and for which they have paid what is considered to be the equivalent of the American price. The arrangement is that the cattle exported to the United States and those purchased by this corporation are to be added together, and that until the two make up the total figure of the United States quota, which is 51,720, then the assured price in Canada in relation to cattle being marketed here will be one which will compare favourably with the price for export cattle in the United States. It is considered that under this arrangement farmers who sell during that period-it may not be quite the same farmers, and there may be that criticism-will receive the American price for as great a number of cattle as would have been the case under the conditions which existed previously. That leaves out of consideration the fact that onethird, let us say, of the cattle coming up for the American market are taken by the food corporation, and only two-thirds go to the United States. Leaving that one-third on this market would have a tendency to depress the market during the latter part of the period. The undertaking which has not been emphasized is this, that during that period of time the same corporation is prepared to hold up the price to the ceiling, by providing, either through the purchase or otherwise, that cattle are exported from Canada to the United States until the quota is completely filled. In effect that should have the result, if we have the cattle to market, of placing as many cattle in the United States as would have gone there under a market that was not controlled at all. We have not yet gone far enough or had enough experience to be absolutely sure that it will work out in this way, but that is the intention of those who are attempting to establish the plan at the present time.

The suggestion has been made that there is a falling price, but I think it should be said that it is not the intention of the price board or of the Department of Agriculture

that the price should keep on falling, so far as ceilings are an indication of price, after we have reached the basic period and reestablished the basic ceiling as of last year. From there on the ceiling price will be a rising price. With that information not distributed as widely as it might have been, I can understand some farmers being stampeded into rushing their cattle to a falling market; but I believe that when the farmers fully understand the situation-and other than the fact that sufficient publicity has not been given to it there is no reason why they should not understand it-the danger would be of the opposite nature, that there might be a tendency to hold back cattle and thus keep down the supply for the time being. But let me repeat that it is not necessary for cattle to remain at the level of last fall in order to be sold under the beef ceiling of last fall. Cattle prices can go considerably higher than they were last fall and still come under the price ceiling for beef then established.

I wanted to make those facts clear, because soon hon. members will be going home to their constituencies and I should like them to understand the arrangement as it now exists in connection with the cattle market.

Mr. EVANS: There was one matter I intended to bring to the attention of the minister in connection with the feeders. I stated that they contracted their cattle over the year in order to have a steady flow into the yards. The information I get from the west is that these feeders have contracted for cattle for September and October delivery at around 11 and 114 cents, but that now they are going to step out of the contracts and lose their deposits because these feeder cattle are down below that level.

Mr. GARDINER: I am sorry to have to say that the only prices which are out up to the present are the zone prices which were referred to, and they have been established only down to the period from September 14 to December 30; that is, for beef. At that level beef is approximately 31 cents lower than during the period immediately prior to July 12. In reply to the hon. member for Maple Creek I would say that, apart from the reason that people did not have the facts which were available, there was no real reason for making any agreements to deliver since about the third week in June in the expectation of any prices higher than those which I have indicated, because the statement was given out at that time that the policy I am now outlining was the policy which would be followed. I am certain that it was pretty well understood in western Canada, because I took the trouble myself [Mr. Gardiner.]

to go to the offices of the farm organization in Saskatchewan, in the city of Regina, and explain the matter in detail, as I am explaining it now, in the very week in which the announcement was issued. Therefore any deals which were made on that basis since that time would be made with the facts. Of course those made before would be without the facts.

I must admit, too, that there were deals made last year. Cattle were retained in Alberta by United States citizens, and fed in Canada with Canadian feed, on the assumption that the cattle could be sold at a certain price this year, or at whatever prices might be prevailing this year. When their cattle were taken by the corporation they had a grievance, and that grievance has been pretty well satisfied by the action of the food corporation since that time.

Generally speaking, however, I think the men who are buying cattle for feeder lots can be assured that the prices paid for beef will establish a relationship of prices very similar to those which would have had to prevail during this last year in order to make provision for the necessary rise of about $1\frac{3}{4}$ to 2 cents a pound on cattle, as between the fall of the year and the spring of the year, if one were going to feed them. But the basic price from which we must start under the plan is the price of last fall, with the amount added which I indicated a few moments ago.

I believe that is all that is necessary for me to say. If there are any questions, I shall try to answer them.

Mr. ROSS (Souris): The minister has given some figures with respect to man-power or labour on the farm. He gave figures as to the numbers frozen on farms and the numbers available in industry. I do not think he proved his point. One of his colleagues, the Minister of National Defence, speaking recently, stated that every man in this country should be put where he was able to produce the most in the interests of the nation, whether in agriculture or otherwise. Then, speaking recently, the Minister of National War Services said that there was in Canada a voluntary enlistment of some 505,000 people. About the same date a return brought down showed that voluntary enlistments from Quebec were only some 75,000. In other words, this means that one great province with a population amounting to about one-third of the total population in Canada has made a voluntary enlistment contribution of approximately one-seventh of the total enlistments.

One of the prairie provinces which practises mass production along agricultural lines has

the record of the greatest per capita enlistment in the dominion. As a result, they have a grave farm help situation. There is a scarcity of efficient farm help. The Minister of Agriculture has suggested that it will be necessary to move labour so that the country may take care of this condition. I wonder if he would suggest that those young men in the prairie provinces should quit farming and go into the armed forces, young men who can operate farm equipment which can do the work a dozen men used to do less than a generation ago in the production of foodstuffs? Does he suggest that those young men, some of whom may have aged parents who cannot carry on alone, should join the armed forces? Does he suggest that young men of this kind should join the armed forces, and that men from this eastern province, men who are totally untrained and inexperienced in farm labour and farm equipment, or methods of mass production, should take their places? Does he suggest that those young men from that eastern province should assist us in the production of foodstuffs at this time? Is that the policy he is advocating?

Mr. GARDINER: I was not thinking in terms of any province or any particular area.

Mr. ROSS (Souris): What about the nation?

Mr. GARDINER: I was thinking more particularly of the movement of men within a province. I do not think they would be moved very far under the system of which I have been speaking. The fact is that at the present time the Minister of Labour has an agreement with Ontario, an agreement which is to be made the basis of agreements with other provinces. That agreement provides for the movement of labour within Ontario. What I had in mind was that a man may pick apples at one time; he may harvest hay at another time or harvest grain at some other time. Through certain movements of labour it would be possible to take care of labour shortages.

Then, we have taken one further step. An arrangement has been entered into with our United States friends whereby, when their combine outfits get to the Canadian boundary line they may come across, and proceed with their activities without any difficulty. They will not be charged duty on machinery they are using, provided they take it back when they are through with the job.

A further arrangement I had in mind is one now being carried out in Saskatchewan. I refer to the organization of urban centres. As men who come from the west are aware, in harvest time there are very few farmers who

Supply-Agriculture

come to the town to do business in the daytime, unless it be to get repairs for implements. The practice was followed in the last war of keeping a skeleton organization in a place of business. That organization was composed chiefly of women. The men go out to work in the harvest fields during the greater part of the week, and on Saturday nights they come to town and carry on their ordinary business. That practice is being worked out again in western Canada. Provincial governments are encouraging it, and I believe Saskatchewan has probably gone farther up to the moment than some of the other provinces, because of the great wheat crop in that province. However, the plan is progressing in all the provinces, and there is the possibility of an agreement being entered into to assist in the financing of that arrangement.

That was the movement I had in mind. I had not the idea that we would attempt anything in agriculture by way of adjusting any other matters which may concern some people in connection with enlistments.

Mr. ROSS (Souris): I thought we were discussing this matter from a national point of view. After all, this is a federal government. If the minister thinks we should continue along the line that while our womanfolk in one section take over business organization or work of production, whereas in another section of the country our young men are not going into the armed forces, well, I have not much more to say about the matter.

Mr. McCUBBIN: What other section does the hon. member mean?

Mr. ROSS (Souris): I mentioned one of the great provinces, Quebec. Perhaps they operate under a different system from what we do. However, I gave the figures to substantiate what I said. Does that answer the hon. member's question?

Mr. McCUBBIN: Yes.

Mr. ROSS (Souris): Very well, then. I am pleased that the minister made the statement he did about the matter of equipment coming across the boundary line from the United States, because I believe that to a great extent that will assist in the harvesting of the crop we have in the west. That is a step in the right direction. But that has very little to do with the man-power situation.

The minister's explanation about the cattle situation still leaves an element of chance in future months for stock feeders. I do not believe this price ceiling will encourage many people to go into a very heavy feeding of cattle during this winter.

Mr. O'NEILL: I have been pleased to receive the information placed on Hansard by the minister with respect to the price ceiling. It is well known to all of us who know anything about cattle that the cattle industry, especially that part of it in the west, was for a long time a depressed industry. Now that the farmers do have a chance to get a little better price for their beef, the price ceiling is put on. I am quite in agreement that there must be a price ceiling on beef, just the same as a price ceiling on anything else might be necessary. But it seems to me that if there must be a price ceiling, then there should be a price floor below which a buyer could not offer, when purchasing stock. That price floor does not exist. It is impossible for the producer to understand this multiplicity of regulations, and an opportunity is offered to the packer or the buyer to resort to sharp practices in order to obtain cattle at a lower price.

At the present time a P.O.R .- pay on rail -system is being advocated, but the producers in my section of the country are opposed to this. The fact that it now appears that that system will be introduced does not reassure the producer that he will get the price to which he thinks he is entitled. In substantiation of the statement I made a moment ago that the door would be left open for sharp practices on the part of the buyers, a paper published in my district carried an article in its issue of July 10, to the effect that a rancher had dropped \$500 in a cattle deal. According to the article it would appear that a buyer for one of the large packing houses had induced a cattle rancher to accept a lower price for some of his cattle. I do not know whether he referred to them as beef, but he may have. He claimed that there was a price ceiling on beef, and he induced the rancher to sell his stock for less than he should have. I have written to men in the west who I think would be in a position to give me accurate information, but I have not yet received it. The house will adjourn in two or three days, or probably in less than a week, and should I get the information I would not be able to do anything about it until next year.

Mr. GARDINER: That point was raised by the hon. member for Middlesex West (Mr. McCubbin): I understand that the hon. member's suggestion is that the buyers are saying that the price paid on the market for cattle being purchased from the government under this plan is quoted as the buying price for cattle on the market. This matter has been discussed before. I thought the situation had been corrected, but I am not certain that it has. In any event, an attempt [Mr. J. A. Ross.] is being made to correct it. The price that should be quoted is the price the government pay for the cattle, that is the United States price, not the price which the government get for the cattle when they sell them to the packing house.

Mr. SENN: How does the farmer know that the cattle are destined for the United States market? When they are purchased the drover may say they are for the Canadian market, in which event the lower price would prevail.

Mr. GARDINER: The drover can sell the cattle on the market at the United States price. He has no right to say that he is selling them to the packer at a lower price. If he does not sell them on the United States market, he sells them to the government at the United States price. That is the price the farmer ought to receive until the United States quota has been filled.

Mr. O'NEILL: I am glad the minister has made that explanation, but it seems to me that he should go a little farther. These price ceilings are tied in with our financial structure. Whether we agree with them or not, that is the way in which the government is attempting to finance this war. Penalties should be imposed upon those who induce a producer to sell at a lower price by making misrepresentations that the regulations permit only a certain price being paid. If the article to which I referred is correct, this buyer should be forced to return the \$500 to the rancher, and told in no uncertain terms that if a repetition of that practice occurred, he would not be in business any longer. Unless the government takes some drastic action, I do not see how it will be able to continue this price system.

The constituency of Kamloops probably raises more than half the sheep raised in British Columbia. The government is asking us to increase the production of wool. There are two ways in which that can be done. One is to save the ewe lambs that would otherwise go to the market, and the other is to stop the inroads made by predatory animals. If the ewe lambs are to be withdrawn from the market, the farmer will have to be paid for the cost of maintaining these lambs beyond the time they would normally be sent to market.

I know the minister will say that the matter of predatory animals is something for the provincial government. However, we should not overlook the fact that the provinces have given up to the dominion many fields of remunerative taxation. When the dominion is asking the provinces to increase the pro-

duction of wool or of any other product, it should be prepared to assist the provinces. I do not think the provinces can afford to pay more by way of a bounty on predatory animals than they are paying at the present time. Unless the bounty is increased to a point where it will be profitable to hunt these animals, their numbers will not be cut down. There are three bad ones in British Columbia, the cougar, the wolf and the coyote. I mention these things to the minister in the hope that something may be done.

Mr. MacKENZIE (Lambton-Kent): In endeavouring to maintain these ceiling prices and be fair both to the consumer and to the raisers of beef, the food corporation has a very difficult task on its hands. At the present time there are two prices for cattle prevailing on the Toronto market. Those who are exporting cattle sell them on the Toronto market. If the corporation requisitions the cattle, it buys them at the export or United States price. But the small farmer who sends cattle into the general market to be sold to the local butchers sells his cattle for the best price he can get. Consequently there are two distinct prices on the Toronto market.

The other question I should like to bring up is in connection with the seasonal drop in the price of cattle which is being maintained by the price ceiling. This takes care of the feeder fairly well, but the grass feeder is under a handicap. This man buys his cattle in the spring, say in May, when the price ceiling is up, puts them on the grass during the summer, and then sells them when the price ceiling is low. I do not see how this man can hold his position against the feeder who markets his cattle at the price-ceiling figure.

As I mentioned last night, intensified farming is largely carried on in southwestern Ontario and the labour problem is acute. We shall have to have a labour organization to handle our sugar beets next year. Perhaps bringing some more of our Japanese friends from the Pacific coast may assist in solving the problem.

Mr. DOUGLAS (Queens): With regard to the two prices on the Toronto market, does the trader, when he brings his cattle in, have to get an export permit before the board takes the cattle over and pays him on the basis of the United States price?

Mr. GARDINER: The men who are dealing in cattle for the United States apply for a permit, and the assumption is that they get it if they apply for it. When a man goes out to buy cattle which he intends to ship to the United States, buys cattle in Winnipeg, for example, to ship to the United States, he purchases them on the Winnipeg market, and the government takes the cattle through the

Supply-Agriculture

food corporation. They estimate what he would have got for those cattle in Minneapolis, and then pay that price, less the freight. He might have a permit to export them, but it does not necessarily mean that they will be exported. If the cattle were sold for consumption in Winnipeg, the government would have no reason for touching them. I can understand that there may be two prices. There always have been two prices, and there is more than one reason for that. Sometimes cattle are sent in which are not in the pink of condition. Again, there may be difficulty in making up a carload at some particular time. Those cattle may not bring as good a price as a whole carload to go to the United States. Cattle may be brought in to the local market at a time when there are no cattle going to the United States. There are so many reasons that members can guess them for themselves as well as I can.

Mr. WRIGHT: We have a ceiling price but no floor. The only guarantee the producer has that he will receive a price for his live stock is to keep the market scarce, because if he raises a few extra head, prices go down. That should not be the policy of the government—to discourage production. But just as soon as a few extra head of cattle come on the market, the price goes below the ceiling price. That has been the experience in the past and will be in the future, once the United States quota is filled.

Mr. GARDINER: The hon. member for Melfort comes from an area where they have one of the best cooperative live stock organizations for marketing live stock to be found anywhere in Canada. They can very easily organize to have cattle or any other live stock sold in different markets. Cattle can be sold in the United States market, through the trade, or through farm organizations, when permits could not be obtained for selling cattle in the United States, which would guarantee the United States price as the floor price so long as the quota is not filled. If the quota is filled, the corporation has undertaken-this has not been explained to the public-to maintain a floor up to the ceiling price for beef with the proper relationship between the price of cattle and the selling price for beef.

Mr. WRIGHT: What is that?

Mr. GARDINER: It will depend upon the place and the time. It will be higher in June, for example, than in September, but there is a relationship between the two which my hon. friend can work out just as closely as I can. There are understandings as to what it ought to be which have been pretty well worked out in the department and in the trade; and if

at any time the Department of Agriculture considers that a proper relationship is not being maintained, we will certainly represent on behalf of the farmers of this country that the corporation should buy those cattle and send them to the United States until the ceiling price is maintained in Canada. That is not fully understood in Canada. There is only one period when there is not a floor; that is after the United States quota is completely filled, and then there may be a week or two at the end of that period when farmers would be compelled to hold their cattle.

Mr. WRIGHT: I think if publicity were given to the relationship between the ceiling price and the actual price, it would prevent what the hon. member for Kamloops has told us about, namely, buyers going throughout the country and, because the farmers did not know the regulations, deceiving them as to what they should get. I think the government would be well advised to give more publicity to that relationship.

Mr. GARDINER: There is a difficulty about that. There are so many different kinds of cattle going on the market, and they are marketed under so many different conditions. But the officials of the department know what the relationship ought to be at markets like Winnipeg, Toronto and Calgary, where the situation can be watched very closely. We have men there who can watch it. We expect the corporation itself will look after that. The officials of the department are also keeping a check on it, and an attempt will be made by both to guarantee the ceiling price on cattle as long as there is a market anywhere else for them at a higher price or even at that price.

Mr. NICHOLSON: We all appreciate the difficulty which the government is encountering in finding men for the armed forces, for the munitions industries and for agriculture. When the Prime Minister spoke in this house on the 24th of March with reference to the orders in council he brought down he said, as reported at page 1567 of *Hansard*:

On the other hand, the growing scarcity of labour on the farms and the increasing importance of maintaining, and, indeed, of increasing food production, has been recognized. This has been accomplished by a fundamental alteration of the policy regarding compulsory military training and service where such service touches persons wholly or mainly employed in agriculture.

From what the minister said this afternoon there has been a change in government policy with respect to the calling up of men engaged in agriculture. I have no quarrel with that.

[Mr. Gardiner.]

It is a matter of government policy, and the farmers of Canada will have to adjust themselves to whatever changes must be made, but I think the farmers should be notified as soon as possible as to what consideration they are going to be given. Could the minister give any information as to the number of men who have been called from farms in a province like Saskatchewan since the end of March as compared with the numbers called a year ago for the corresponding months? Did the order in council, P.C. 2252, which the Prime Minister brought down, actually make any change in the policy being followed by the Department of National War Services in Saskatchewan?

Mr. GARDINER: I have not the figures for Saskatchewan or any of the other provinces for the period mentioned. The only figure I have is the total number called from farms, or enlisted from farms, into the army and into war services, including both the army and factories making munitions. The total number from farms is 215,000; that is the decrease in population on the farms across Canada as a result of the fact that men have gone from the farms into one or other of the activities. Our own department put out a publication to which I would refer hon. members, which is called "Farm Labour in War Time". It was put out in July in mimeographed form, and hon. members can get copies of it. I would advise them to get this publication. It can give only an estimate, but the estimate is based on facts gathered across Canada with regard to the whole manpower in connection with agriculture. I would suggest that the hon, member read that publication, because it will give more information than I can.

Mr. CASTLEDEN: Does it give figures since last March?

Mr. GARDINER: I hardly think so. It is based on a survey of farm labour on 5,218 farms in Canada, in February and March, preceding the time when the decision was made. All I can say with regard to the question raised by the hon. member for Mackenzie is that, generally speaking, the boards have been attempting to carry out the spirit of the regulations as they were laid down. I must admit that in some cases, if the information I have is correct, they would probably have leaned toward the side of the army, while in others they might have leaned in the opposite direction. But it is very difficult for boards to handle individual cases in a manner that would satisfy everyone. I get as many complaints from one side as from the other.

Mr. BOUCHER: Do these figures give the total enlistments together with the total number of men in the three armed services and factories, separating munitions workers from the men in the forces?

Mr. GARDINER: That figure is the total reduction of people on farms brought about by enlistments and those going into factories in 1941 as compared with 1940, but it does not include 1939. I went through the volume only hurriedly, but anyone reading it carefully will get a better idea.

Mr. PERLEY: Does that refer to volunteers, or does it include trainees?

Mr. GARDINER: It includes all men who have gone from the farms.

Mr. SENN: I have listened with much interest to the minister's statement with regard to the beef situation. His address may be divided into two parts, that dealing with labour and that in regard to the beef situation. I do not intend to say anything further about labour, except that undoubtedly there is a shortage of labour on farms at the present time. That is inevitable. I do not think anyone is to blame for it, but on the other hand I believe and have always believed that had selective service been brought in immediately after registration, a good many men would have been saved to the farms who are more valuable there than in the armed services, while others might have gone who are not so valuable. I will leave it at that.

I was very much interested in what the minister said about beef. His explanation is, after all, rather involved. I tried to follow it as closely as I could, and I am frank enough to say that I was not altogether convinced, partly because I do not understand some of his arguments, and some of the explanations he made. I am afraid that will be true not only of some other members but more than ever true in the country, particularly among the cattle raisers themselves. His explanation only serves to a greater or less extent to show the muddle that exists at present. It is a muddle that exists at least in the minds of the producers, and in my opinion it is the producers whom we should attempt now to reassure so far as this particular position is concerned.

As a matter of fact, in spite of what the minister may say, I am of the opinion that producer prices are not controlled in the way they should be. If there is going to be a ceiling on carcass prices, there should be some assurance to the producer himself that the price he receives will be based on the ceiling price, or, as the minister says, on the United States or export price. No matter what the

minister may say-and I am not altogether disputing his words-I am afraid there are two prices in Canada; in fact, I am certain there are. One is based on the export price, and one is based on the domestic price of beef. Try as he may and as the department may, and try as the wartime prices and trade board may and will, so long as drovers are buying cattle and going into the country and offering prices, and until farmers are united in some kind of cooperative organization, there will be two prices, and this whole situation will not be cleared up until some further action is taken. There are no two ways about it, that although the producers' price is not controlled, neither is the consumers' price controlled at the present time.

I saw a statement in the press not long ago that the wartime prices and trade board were trying to set prices for twenty-nine or thirty different cuts of beef. So far as I understand, that has not been done up to the moment. What takes place is this. The retailer can charge almost any price he likes. I go to him and buy a steak, and I say, "That is a higher price than the price set down for the basic period of last fall." All he has to say to me is, "Well, that is a better quality of beef; it is a better steak than the one you bought last fall." There is no way of getting around it. I do not see how it is possible to set prices for twenty-nine or thirty different cuts, and as far as I can learn they have not been published up to the present time. I am not speaking in a critical way at all. I am only pointing out to the minister what exists, and what I believe exists in Ontario in the minds of the producer. I refer to Ontario particularly because that is the part of the country with which I am best acquainted.

The whole marketing system for cattle is haphazard and confusing to the minds of producers, and this situation is largely because of the action of the wartime prices and trade board. It robs the producer of any feeling of security. I have on more than one occasion pointed out that the farmers have to make their plans a considerable time ahead if they are to raise cattle or any other kind of farm product. They must plan ahead, and under the present system what assurance have they of what the price will be? It only adds to the gamble they are taking. It seems to me that something should be done to assure the farmers and producers that they will get a reasonable price.

The minister tried to explain the matter, but I am frank to say I could not understand how under the present system the farmer is going to have any assurance that if he buys cattle as he did this spring and will want to

do next fall, he is going to be assured of a fair return when those cattle go on the market. There is need of some assurance further than has been given. Frankly, the minister's explanation was so involved that I do not fully understand it.

Mr. REID: It is my opinion—and I say this meaning no offence to any hon. member that we have been wasting a great deal of time this afternoon to no purpose, because the Minister of Agriculture has nothing to do with the price of beef. I would propose to the government that in order to get out of the impasse as far as agricultural prices are concerned there should be set up a ministry of economic warfare, and the men in charge should be deputy ministers so that the minister would be responsible to this house. You can make all the speeches you like to the Minister of Agriculture, but in the final analysis Mr. Gordon is the man. We are making representations to the wrong minister, good as he is, and he is a good minister.

Mr. PERLEY: I am as anxious to get through as anyone, but I take issue with the hon. member for New Westminster. We have not wasted much time here this afternoon: we have voted already, I think, some thirty items in about three hours. We listened to a very interesting statement from the minister, one that has given us much information. He dealt with the labour question. That was worth while. Much more could be said. The labour situation is becoming so serious that some industries in this country, those not directly concerned with the production of munitions, gold mining for instance, may be closed. I was very much interested in his statement, and I think it was worth while. He dealt with production, giving us much information in that regard, and then dealt with the advisory committee. There have been many worthwhile suggestions made to the minister. I am going to make this further suggestion, that his department is the one that should be in charge of this whole price-fixing set-up as far as agricultural products are concerned, beef and live stock, wheat and dairy products. The price board is not doing the job as I think he would have done it as far as agriculture is concerned. I offer this suggestion, that there should be a reorganization with respect to this price-fixing, and that agricultural products should be under the supervision of the Department of Agriculture.

What has been the reaction of the minister to the recent drop in prices of live stock?

Mr. GARDINER: I assume the hon. member means cattle?

Mr. PERLEY: Yes.

[Mr. Senn.]

Mr. GARDINER: Of course farmers always object to prices going down; anybody does. But no one can tell until some time has passed what effect it will have on the marketing of cattle.

Mr. ROSS (Souris): As to the question raised by the hon. member for New Westminster about wasting time and having the wrong minister, I would remind him that on July 1 when I was speaking on the budget I asked the Minister of Finance, who I think is the proper minister who has control if there is any control of this price-ceiling set-up, to make a statement of the situation, either he or the Minister of Agriculture. They were both in the house at the time. Therefore I think we are justified in trying to get some information here when we could not get it from the Minister of Finance. I agree with the hon. member for Qu'Appelle. I have always been—

Mr. REID: And myself.

Mr. ROSS (Souris): And the hon, member himself, yes. I have always been unable to discover why we should have the Minister of Agriculture responsible only for production, and one of the greatest agricultural commodities produced, that is wheat, handled by the Department of Trade and Commerce. To me that is not a sensible set-up. The government should make some adjustment, and I would say that the Minister of Agriculture should be responsible for the marketing of our products as well as the production. The present is not a sane, feasible organization at all.

Mr. HATFIELD: I understand that the United States minister of agriculture has complete control over prices of agricultural products in that country. Is that not correct?

Mr. GARDINER: I appreciate very much the confidence hon. members seem to have in the Department of Agriculture and in myself. But I doubt very much if it will get us far to discuss the question here. I had hopes when I started this morning of keeping an appointment to-morrow morning at 9 o'clock, which I am afraid I must give up. But the time has gone by for that, and I am quite prepared to go on with the discussion.

Mr. HATFIELD: Does the United States minister of agriculture have control of agricultural prices in that country?

Mr. GARDINER: He has to a certain degree.

Mr. FAIR: What is the cattle population of Canada at present compared with a year ago?

Mr. GARDINER: The figures are not out for the present year. The figure for all cattle in 1941 was 8,806,000; for the previous year, 8,565,000; for the year before that, 8,474,000; and for the year before that, 8,500,000. That is as of June in each year.

Mr. ROSS (Souris): In a return brought down on April 29 I think it gives the figure for June 1, 1941, as 8,797,000. It shows a decrease of 42,500 since 1937.

Mr. GARDINER: There are two sets of figures out in connection with some live stock, depending on how they are taken and where. One is made up by the Department of Agriculture, the other by the Department of Trade and Commerce. These are presumed to be the figures of the Department of Trade and Commerce.

Mr. ROSS (Souris): This is a return by the government on April 29.

Mr. GARDINER: Here is a statement which has a bearing on this matter. It is estimated that cattle particularly beef cattle, are being sold at thirty pounds heavier weight, and that is figured on by some making the calculation, figuring the numbers from that.

Mr. HATFIELD: May I have an answer to my question?

Mr. GARDINER: The United States minister of agriculture has, I think, to give consent in many cases, but I notice that in dealing with some prices not even he has control; the house seems to have control.

Mr. FAIR: That is the way it should be here.

Mr. BOUCHER: The hon. member for New Westminster has pulled out of the woods a live hornets' nest in his statement that a great deal of time has been lost this afternoon. It was lost only to the extent of the inability of the Department of Agriculture to handle a very sore grievance held by the farmers of Canada. Here we have the Minister of Agriculture for the dominion, charged with responsibility for the production of agricultural commodities, limited by the Minister of Trade and Commerce as far as our export market is concerned, admitting that this export market has a great deal to do with better prices for agriculture, yet completely blocked by the action of the dictator of prices, as I would call him; that is, by Mr. Gordon, a man who is not responsible to this House of Commons. I believe the suggestion of the hon. member for New Westminster with regard to a ministry of economic production or economic warfare is something which should be given every consideration by the government.

Supply-Agriculture

Let us look at the situation in Canada. We had a price ceiling applied late in the fall when, as everyone knows, prices of agricultural commodities are probably at their lowest during the entire year. Now, to bolster up that price ceiling we have a subsidy, again governed by the wartime prices and trade board. We have the export market set at one figure and the domestic market at another. We have a price ceiling which seems to have gone entirely out of control, as far as prices to the consumer are concerned, since the retailer must charge and the consumer must pay prices dictated but not controlled by any proper machinery, if machinery could effect any control. All this is going on at a time when commodities, particularly meat, are scarce, on account of exports of dairy cattle from this part of the country. Take a conglomeration like that-I think that is about the only expression I can use to describe it-and how could one expect the control of prices to be satisfactorily administered by a man who is not directly charged with the responsibility of administering production, a man who is not required to come to this house in order to get the benefit or the disadvantage, according to the point of view, of the views of those who have been elected as the people's representatives? In addition, this man is not charged with the responsibility of cooperating with farmers; probably he has not had much experience with farm problems, and so far as I know he may not be readily reached by the representations of farm organizations. When that is summed up, the situation becomes not only preposterous but grotesque. For that reason I feel that at a time like this, even at this late stage of the session and at the risk of delaying the adjournment of this house, we should try to have the Department of Agriculture given much more power in connection with controlling or regulating the actions of the price controller. If that could be done, I think we would have dealt with an important matter concerning one of the most fundamental industries in Canada to-day. We all know that while agricultural production is most necessary, labour is very scarce and prices have been largely neglected.

Take the situation right here in Ottawa at the present time in regard to milk. I give that just as an illustration. To-day the price of milk in Ottawa to the consumer is exactly the same as it was in the days of the depression. Then look at the retail price of beef and see how it compares with the price in depression days. These things are the cause of great discontent; and in war time the morale of the agriculturist, as well as that of the soldier and all the rest of us, must be built up. Those who

produce agricultural commodities in this country must have a thorough understanding of the man who is in charge of their industry, the man to whom they must make their representations. It does not seem sensible that they should have first to consult the Minister of Agriculture, be sent by him to the Minister of Trade and Commerce, and then be told that they must go to Mr. Gordon. This situation is not conducive to peace of mind, nor is it conducive to efficiency.

Mr. DOUGLAS (Weyburn): I wanted to ask the minister a question with reference to this matter of farm labour, which he mentioned a few moments ago. One of the most pressing problems confronting western agriculture to-day, and for the next few weeks, is that of farm labour. There are prospects of a magnificent crop, but a great many farmers are afraid they will not be able to take it off on account of the shortage of farm labour. That would be a tragedy, when feed is needed for cattle and when people in other countries may have to be fed in the event of an allied victory.

Has any approach been made by the minister's department to the defence ministers, to see if it would not be possible to have men released from the armed services in order to help in harvesting and threshing operations? I realize quite well that the defence ministers are not going to take very kindly to this, because it is a great headache to military officers to have to arrange for leave and all that sort of thing. I know that last spring, when leaves were granted so that men might assist in spring seeding, it meant a great deal of work for the officers. On the other hand, however, I know that thousands of acres of land would not have been seeded if the government had not arranged to permit these young men to go home for two weeks or thirty days. I realize, of course, that many of these men cannot be relieved of their duties. I believe, however, that there are many who could. I noticed last fall that many men in the British army were allowed to go into the fields to aid in harvesting the crops. I noticed also that in Russia, in spite of the fact that they were fighting an invading army, some of their men were released for the harvest, because it is still true that an army fights on its stomach and that a nation can resist only if it is fed. After all, to some extent we are the granary of the united nations, and we need to garner not only grain but other food for ourselves, for the people of Great Britain and for our allies.

In many of these training camps there are thousands of young men who have taken part of their training. The training day is fairly short. Men who are well advanced, who have finished [Mr. Boucher.] their training quickly, might be released for two weeks or thirty days, and I believe they would find it quite easy to catch up when they came back. Part of each day is devoted to physical training and other things which a man could afford to miss, particularly if he were going to do work which would keep him in excellent physical condition so that he would not be likely to become flabby or soft.

It seems to me that this matter should be discussed seriously. I do not know what the problem is going to amount to. A short time ago the minister said there was not going to be any more labour available. I would go farther and say there is going to be less labour available; that the so-called freezing of men on the farms has not worked out as it was hoped, because ever since last March many men have left the farms to go into the army and for one reason or another. While the minister's suggestions are excellent, in connection with using people from stores and so on, I am afraid many of these people would not be of much use on farms. Here we have thousands of physically fit young men, many of whom came from farms, some of whom are trained to handle mechanical equipment such as tractors, combines and binders. It seems to me sheer folly to have them in one part of Canada, while part of our crop goes to waste in another part. Therefore I would ask the minister whether any representations have been made in this connection to the defence departments?

Mr. GARDINER: I believe all farm organizations have made representations to the Department of Agriculture, as well as to the military departments. The answer which has been given was the one given to the house a few days ago to the effect that it would be very difficult for the army to arrange for men to go out, say, to harvest hay in one season for two weeks; then immediately following that to go out to harvest crops for another two weeks, and then following that to go out to save some fruit crops, and so on. One has only to recite that procedure to indicate that if the army tried to meet all those requests, the men would not be in training very much of the year. Of course, having said that much, and having taken that position as a matter of policy, the Minister of National Defence went on to say that there would be exceptions. There are men who have had their training and who have not yet been stationed in a particular place. Those men would be entitled to some leave in any event, and those leaves may be lengthened. There are other cases where hardships can be proven at home because of conditions which have developed since the men involved were taken into the army. In

those cases leave is permitted. There are many cases of that kind, all of which are based upon particular circumstances. But I believe it will be agreed that it would be rather difficult to establish a blanket policy under which military men could go out into a country as widespread as this one, and take care of all the different labour problems which arise in connection with the different types of agriculture we have.

The problem in Great Britain is quite different. Five per cent of their population are on the farms, and when they take people from the other 95 per cent into the armed forces, and permit them to go out and help on the farms, it is understandable that they can do a good job. In a country so widespread as this one, however, even if we followed the same policy we would not get the same results.

Then, may I say a word about this other policy in connection with the organization to do harvesting. I believe most hon. members can recall the time when practically the whole of the crop of western Canada was harvested by just such means. We used to run harvesting excursions from eastern Canada. On those excursions were farm boys, and some from urban centres, who came west before the days when our farms were mechanized as much as they are to-day. Those boys did the harvesting job.

Mr. DOUGLAS (Weyburn): They were young men.

Mr. GARDINER: Yes, and they could do a good deal in a day, if they had the will to do it. Then, there were the men in the country towns and villages who had done a considerable amount of manual labour to keep themselves in fair shape, although their jobs may have been clerking in a store, a bank or somewhere else. At the time of the last war we found those men not only capable but very willing to go out on the farms, and I notice that already in this war some of them have organized themselves and gone out to help with the farming in certain areas. A good many have turned in their money to patriotic funds of different kinds.

These efforts are all to the good, and will go a considerable way toward harvesting the crops. Only a short time ago a delegation waited upon me, and it was clear that they were very much concerned about taking off their hay. About three weeks later a man who had met them, along with me, said to me, "Have you heard any more about the hay?" I said, "No, I have not." "Well", he said, "the hay in that particular district is all in the barns". Sometimes we worry in advance. It will be remembered that we

used to harvest our crops in the west by beginning in August and ending in November. Recently we have become accustomed to begin in August, if possible, and to end as early as we can in September. We may have to go back to the old method, and stretch it over a longer period of time, in order to do the job completely.

However, in view of the fact that we realize that the labour we have is all the labour we can get, and the further fact that there are only so many people in Canada, and that they are engaged in different activities, I believe we shall get along all right. People in the different communities will organize themselves to do the job of harvesting the crop, and I think they will harvest it.

Mr. BLACKMORE: Does the minister think the price of beef on the open market now is being deliberately manipulated down during the months of July, August and September? Does the minister believe it is being managed deliberately, so as to bring it down?

Mr. GARDINER: It is being deliberately arranged that the price for beef will not be as high in September as it was in June. That is part of the policy. Then, after September it advances back to where it is considered it should have been in June. The present plan is to have a rising scale of prices from September to about June, and then a falling scale until about September again. That plan conforms pretty well with what has happened in past years.

Mr. BLACKMORE: I believe that perhaps there are good intentions behind the policy, but the difficulty lies at the point mentioned by the hon. member for Lambton-Kent. As the minister knows, there are a great many producers, particularly in western Canada, who do not aim to feed stock during the winter, for beef. They carry the stock through and then turn them on the ranch, preparing their beef for the market in the latter part of August and September. Those men are going to be placed under a serious handicap because of this price arrangement.

There is one further serious aspect of the matter. There is a strong suspicion in the minds of many producers in the west that the packers view with the utmost complacency this fall in price in August and September, so that they may fill their establishments at low prices. This whole procedure militates against the welfare of the farmer or rancher who is producing beef on the ranch. In fairness to the great number of people who produce grass-fed beef, I say that some arrangement should be made for their protection. Has the minister done anything along those lines?

Mr. GARDINER: It is difficult to do all that we are asked to do. When prices were threatening to go down in the spring the argument was used that the cattle could be fed much more cheaply on the grass. It was urged by farm organizations—not particularly by the packers—that cattle have been coming off the grass for twenty years at a lower price than they have been going on the market in the spring, the reason being that cattle must sell in the spring at about one and three-quarters to two cents higher than when they are taken off the grass, and feeding in the form of feeders, in order to make it possible to get people to take those cattle and feed them.

Many of the cattle which come off the grass in the fall are ready for market, while many of them are not. They are simply feeders. It is just a question as to which plan would bring the greatest return to the farmer or rancher who has both types. If a man has only finished cattle in September he will find that that has always been a time of low prices, with the possible exception of an occasional year such as last year. The price was higher then than it had been previously. But generally speaking-and the experience of twenty years proves this-the price of beef, and the price of cattle even to a greater extent than beef, has been down at that period of the year. It has been the rising price toward the spring which has taken care of the fact that cattle would not be produced in stall feeding if it were not for the fact that you could get more for them in the spring, taking one year with another. That feeding we expect will go on under this policy. I am not so certain that the rancher will do any better under this plan than he has done under the practices which have been going on in the last twenty years.

Mr. BLACKMORE: Does the minister think the rancher will do just as well?

Mr. GARDINER: Yes, I think so. That is the intention, and if it is found by experience that it is not turning out in that way, then of course plans are always subject to change.

Mr. BLACKMORE: The minister gave us the names of the members of the beef advisory committee and the names of the organizations which had suggested them, a rather impressive list. Has this beef advisory committee any authority, and are its recommendations listened to? Were the regulations put into operation during the last year the result of recommendations of this advisory committee?

[Mr. Blackmore.]

Mr. GARDINER: This beef advisory committee was not operating last year. There was no price board until September and no food corporation until June of this year, and this is an advisory committee to the food corporation. As has been said before, the price board does not come under my department, and I would hesitate to discuss matters of policy relating to it.

Mr. BLACKMORE: I should like to add my voice to those which have protested against the apparent impotency of the Minister of Agriculture with respect to agricultural prices. The Minister of Agriculture should be responsible for agricultural prices and all matters pertaining to agriculture. He should be responsible to this house as the man functioning in that capacity. The first man the wartime prices and trade board should consult with respect to matters pertaining to agriculture. Is that done?

Mr. GARDINER: Mr. Shaw, who is in charge of marketing in the Department of Agriculture, and the assistant deputy minister of the department, a former member of this house, are members of the price board representing the Department of Agriculture. The board is made up entirely of officials from departments of the government.

Mr. BLACKMORE: Is the minister consulted by the Minister of National Defence (Mr. Ralston) and the Minister of National War Services (Mr. Thorson) with respect to the policy of leaving boys on the farms to do the farm work? Has the minister or any responsible member of his department had anything to do with the drafting of regulations concerning agricultural postponements?

Mr. GARDINER: I was the minister who set up the Department of National War Services, and I do not know of anything for which I have been criticized more by the members of this house than the fact that I had two departments under my control. While I appreciate the compliments that are being paid me to-day, I would recall that there was considerable criticism of my having control, not only of agriculture but of the calling up of men. I drew up the regulations which form the basis of the present regulations. There have been some changes made since that time. In addition, I am a member of the man-power committee of the cabinet, which is made up of only a part of the cabinet, and I am consulted from time to time with regard to man-power problems.

Mr. BLACKMORE: When hon. members were criticizing the minister for holding two positions they must have failed to realize the

significance of having the Minister of Agriculture in charge of the calling up of boys and determining whether they should be left on the land.

Mr. CASTLEDEN: I should like to add my voice to those who have protested against the calling up of these boys. When the order in council was passed in March it was assumed that it froze men on the farms; I believe "presumed" was the word the Minister of Agriculture used. I know of men who thought when the order in council came out on March 23 that they were to be frozen on the farm, and they assisted in putting in considerable crops. They have now been called up and taken off the farms, and in many cases older and sometimes crippled people are the only ones left to take off the crops. I do not think the seriousness of the labour situation in the west is realized by people in this part of the country. The farmers in the west are considerably alarmed about the situation. If the minister is on the man-power committee of the cabinet I hope he will see that everything possible is done to get assistance to these people. Naturally the farmer prefers to have a man with some experience. A man out of an office who has never done much work on a farm is not as valuable as a man who knows how to handle machinery, how to run a tractor and is accustomed to the labour. He is as good as ten of the other men. If the minister has any influence in this manpower committee I hope he will use it.

Mr. FAIR: Why should the price of hogs fluctuate on the market when a guaranteed price is paid to the packer?

Mr. GARDINER: The average weekly prices per 100 pounds, paid on the Toronto market, beginning with January 8, were as follows:

\$15	33		\$15	18	
15	50		15	25	
15	27		15	25	
15	10		15	21	
15	08		15	25	
15	18		15	33	
15	25		15	35	
15	50		15	46	
15	35		15	56	
15	31		15	60	
15	12		15	65	
15	15		15	75	
15	17		15	82	
15	15				

It will be noted that there is not a variation of one cent per pound through the first six months. The only time there is any considerable variation is during the last two weeks in June and the first three weeks in July. As every hon, member knows, that is the time when there is a considerable shortage

Supply-Agriculture

of hogs on some markets. Toronto market, with the possible exception of Montreal, has the greatest consumption of hogs and there would be a local reason for rises and falls on that market. However, taking that into consideration the difference has been not more than 70 cents per hundred or about threequarters of a cent per pound.

Mr. FAIR: There has always been some mystery about the packing plants, and I imagine it still exists. We have dealt with cattle and hogs, and possibly lambs should get a little attention now. The wool growers of my province are dissatisfied with the price they are receiving for wool. The average price is around 25 cents a pound, while the price in the United States, if my information is correct, is 44 cents a pound. Some of them object to the fact that they receive only an initial payment when the wool is delivered around July 1. Last season they had to wait until February or March to get the remainder of their payments. Could the minister give us an outline of the set-up as far as the handling of wool is concerned?

Mr. GARDINER: Before the war, wool was handled by dealers across Canada. Much of it was gathered by men who went out with trucks. There was very little grading of it, and I think wool was handled probably to the disadvantage of at least the small producer. Since that time a grading system has been set up, and while it is not giving 100 per cent satisfaction it has improved the situation greatly. The price of wool is very much higher than before the war. It was one of the first products to jump very rapidly in price. It was the first product put under control and to have a ceiling price placed on it, and that was before there was any price board. There was a controller put in charge of wool, and he, again, is not under the Department of Agriculture. He had to do with the industrial handling of wool, largely, as well as the taking in of the raw wool, and is also concerned with clothing for the troops. It was the demand for clothing for the troops which was responsible for the great increase in the price of wool when the war started. All these matters are under the control of the wool controller, who is not under this department.

Mr. FAIR: The main trouble is that when the price jumped, it did not jump far enough. There was not enough spring in the fleece to put it up where it should have gone. There should not be a difference of 20 cents a pound between the price of wool in Canada and the price in the United States. Our sheep raisers put in quite a lot of work, and I do not think they are getting the return to which they are justly entitled. I hope the minister will keep that in mind when dealing with this question in the future.

Mr. CASTLEDEN: What were the wool deliveries for 1940, 1941 and 1942?

Mr. GARDINER: There was an increase each year, but I have not the figures with me.

Mr. CASTLEDEN: What is the sheep population of Canada?

Mr. GARDINER: The number of sheep in 1941 was 3,550,000; in 1940, 3,452,000, and in 1939, 3,365,000.

Mr. CASTLEDEN: Is it not true that we do not grow 10 per cent of the amount of wool we consume in Canada?

Mr. GARDINER: We grow about 20 per cent.

Mrs. NIELSEN: I put a question on the order paper to find out what aid the federal government was giving to the provinces to encourage the raising of sheep. What sum has been given to each province?

Mr. GARDINER: I put that information on *Hansard* last night. It was to the effect that this government, through arrangements with the provincial governments, has assisted in moving ewes from one place to another place where people may wish to use them for breeding purposes. We are paying the freight on moving them, and we have arrangements with all the provincial governments.

Mr. BLACKMORE: What is the price of raw wool in Montana?

Mr. GARDINER: It is about as much higher than the Canadian price as the hon. member for Battle River stated it to be, and that is largely as a result of tariffs imposed by the United States, also the very considerable consumption of wool in that country, and also certain controls related largely to the demands that are now being made in connection with the war effort.

Mr. BLACKMORE: Can the minister give us any idea whether it costs more to produce a pound of wool in Montana than in southern Alberta?

Mr. GARDINER: I would not think it costs any more.

Mr. BLACKMORE: Then how can any intelligent administrator in Canada justify giving the sheep farmers of southern Alberta a price of 25 cents a pound when his neighbour just across the fence in the United States is getting 44 cents a pound? That cannot possibly be justified.

[Mr. Fair.]

Mr. GARDINER: I wish to correct the statement I made a moment ago. My hon. friend, being closely associated with the ranching country, must know that the rates charged for leasing land are very much higher in Montana than in western Canada. That would explain part of the difference in prices but would not account for all of the difference. I do not know whether I should put this into words or not. I think I will because I have been tempted to do it for a long time, and I might as well say it now because I am afraid that I would say it some day anyhow.

We have a great deal of discussion in this house over the reasons for different prices, on farm products particularly, prevailing in the United States as compared with Canada, and we have also a great deal of discussion about what we are going to do when the war is over. I do not think it is possible for the two countries ever to have the same price for wheat, let us say, and that bears on other products as well. In the United States there is a 42 cents duty on wheat going into that country. It is a country with 130,000,000 people. There are all kinds of arguments in favour of doing these things, which we are told ought to be done, in war time rather than waiting until the war is over, but it is not a matter that we can deal with in this country by ourselves. It will have to be done by international agreement.

Mr. BLACKMORE: The astonishing thing is this. We are using in Canada far more wool than we are producing. Therefore, evidently it is not the shortage of consuming power in Canada that causes the price of wool to be low. Then how can the price be possibly justified? I come from a constituency in which there are men producing wool all along the north side of the United States border; men on the south side are producing wool all along the United States border, and prices on the south side are such that the men there are prospering and are feeling jubilant and hopeful with respect to sheep raising, while the men on the north side are not quite sure whether in any given year they can make a go of it. In a country which is supposed to be wanting to increase its wool supply, a country which is able to consume much more wool than it now is producing, I would say that for any man to fix the price of wool in Canada at 25 cents a pound comes as near to lunacy as anything I can conceive of, and the man who sets that price certainly should be invited by the minister to come to Ottawa and have a going over in the Department of Agriculture. I would suggest that the minister take steps at once to see to it that whoever set that price on wool revises his opinion

and does so soon, because the price of wool in Canada is altogether too low for the wool producers. It costs just as much, I am told, to produce wool in Canada as in the United States; the man producing wool in Canada is entitled to just as much of a return as the man in the United States, and it is the business of this parliament to see that he gets it.

Mr. BOUCHER: Had the man who set that price wool in his upper story?

Mr. QUELCH: What is the production of eggs, and is it as high as the department wants? Last winter circulars were sent to the farmers urging them to increase their flocks, but the price of eggs was so low that the farmers were discouraged from bringing about that increase. I have received letters from the west saying that at present they are getting 12 cents a dozen on case lots. No farmer will be enthusiastic about poultry when prices are allowed to fall to that level. If the government is anxious to bring about production, something should be done to raise the price to a level that will compare with prices of other farm commodities.

Mr. GARDINER: As I said this afternoon, the farm production of eggs has increased from 226 million dozen to 249 million dozen, and the price has been maintained only by a special arrangement with the British government to take a considerable part of the surplus.

Mr. HATFIELD: Are there any dried-egg plants in the west?

Mr. GARDINER: There is one at Winnipeg and one at Saskatoon, and one is being constructed at Edmonton.

Mr. QUELCH: Did the minister say that the government did not want any further increase?

Mr. GARDINER: The government will try to find some way of getting all eggs marketed which the farmers produce. We have been doing that ever since the war started and have been able to take care of double the production with increasing prices.

Mr. CRUICKSHANK: I understand that a subsidy is allowed on the basis of $3\frac{1}{2}$ cents a dozen to take care of the difference in freight from British Columbia to the point of shipment in Montreal. I do not want to be critical, but I should like to know whether in the event of an increase in cost of production, either in connection with feed or for some other reason, the producer in British Columbia will receive consideration. Will the wartime prices and trade board or whatever board sets the price to Great Britain allow a sufficient leeway, either by way of a subsidy in connection with freight rates on eggs or by means of a subsidy on the export price to Great Britain, to meet the difference which otherwise the producer will have to take care of? As the minister is aware, in British Columbia at least 90 per cent of our poultry feed is imported from the maritime provinces. This represents an increase in cost of production to the producer. Will that increase be provided for either by an increase in the export price on dried eggs or by means of a subsidy on feed?

Mr. GARDINER: The subsidy on feed will be continued for the duration of the war. It has been announced that it will be continued indefinitely. The present intention is that it shall be for the duration unless some condition arises in agriculture that makes its continuance inadvisable. As regards the price of eggs, I take it that the point raised by my hon. friend is that it is lower at the coast than it is at Montreal-that is, eggs shipped to Great Britain. The fact is, the price is lower by the amount of the freight. The same subsidy is paid in the one part of Canada as in the other. The basis of the subsidy is 32 cents on eggs at one period and 35 cents at another period. That is the basis of the agreement with Britain, which starts with 28 and 31 cents. I am not sure whether that answers the question.

Mr. CRUICKSHANK: The point is this. If the cost of production goes up on the Pacific coast—and I am not arguing the question about the justification being in the increase in cost of feed, or if the increase is due to labour or anything else—I should like to know whether there is any provision to take up the slack. The minister quoted certain figures—

Mr. GARDINER: If I may interrupt the hon. member, speaking from memory I believe the ceiling price is 38 cents. The price which the British government establishes by agreement acts as a floor to the extent that it sets the price for the surplus sent out of the country, and that has an influence on prices in Canada as well. The price board sets the ceiling, and there is no doubt that the board is all the time considering cost increases and changes. In some cases they have made changes, but the tendency of the board is not to look for opportunities to make changes but to maintain ceilings in order to prevent inflation or to prevent wages from going up and prices in general from rising. It does take into consideration increases in cost in certain directions. I am not in a position to say whether the price board will ever increase the price of eggs or insist, so long as it is maintaining ceilings, on maintaining the ceiling

price of eggs at 38 cents. But so far as this department is concerned, we have negotiated the best agreements we can with Great Britain, and the best arrangement we have been able to make up to the moment has required that we add a subsidy of 3 cents a dozen on the best price we can get from Britain, in order to obtain production of the number of eggs which we think are required to set that market.

Mr. CRUICKSHANK: There is one point that is not clear to me. The minister mentioned something about surplus. As I understand it, we are not exporting our surplus to Britain. We have been encouraged to produce not a surplus, but our maximum for the British market. As I understand some of the orders in council, there is no limit to the requirement of the British market. What I am trying to point out is that there should be some assurance to poultrymen on the Pacific coast that if their cost of feed goes up, the slack will be taken up either by an increase in price, or by an additional subsidy on freight rates on eggs to the eastern markets, or by an increased subsidy on the cost of feed to the Pacific coast. As I understand the situation, we are now operating under a differential or adverse subsidy of about 2 cents a dozen. The department should say if we are to be protected in that connection. It is all very well to say that it does not come under this heading; but as I see it, representing a rural district, the only heading it comes under is through the Minister of Agriculture. I have no recourse to the wartime prices and trade board.

Mr. GARDINER: That is not quite correct. The hon. gentleman could carry on all this discussion, and can still, on the Minister of Finance's estimates. I cannot answer questions for the price board; it is not under my department. I have tried to accommodate my hon. friend by giving him all the information I can, but the proper minister for him to get information from with regard to the price board is the Minister of Finance. The Chair should so rule.

Mr. CRUICKSHANK: I take it that as representing an agricultural district the minister will endorse my stand that it should be handled through his department and not the Department of Finance.

Item agreed to.

Special.

29. Prairie Farm Rehabilitation Act and water storage, \$2,000,000.

Mr. PERLEY: We all understood that the minister was anxious to get away. Now, [Mr. Gardiner.] since he has missed the boat, maybe we can take a little more time and ask some questions. The discussion, while it may have delayed the minister, has been very interesting. We have taken only seven hours altogether on this department, which I think it is agreed is one of the most important. Agriculture is the chief industry of Canada. I think we have made wonderful progress in passing almost thirty items, involving an amount of around \$8,000,000, in seven hours. That is pretty good going, after we have been in Ottawa for about seven months.

During this discussion it has become apparent that we could have made much better progress in the way of getting useful information and have given many suggestions to the minister if, in the early part of the session, as soon as these estimates were brought down, there had been a reference to the agriculture committee, which consists of fifty members. The committee have not done anything yet this session, except in about one short day to pass a bill that the minister was piloting. We made a good job of that and increased the price of wheat. For the rest, without a doubt we wasted our time. If the public could have sat in at the last session when we passed the report-at least I would not say we passed it, but the report was passed through the committee-it would have been very interesting. However, I think the agriculture committee, composed of fifty men, could very profitably have considered these estimates. Having before us the chiefs of the different branches of the department, we could have secured a lot of useful information which we tried to get, and which, were it not for the fact that we are on the last day or two of the session, we would still try to get. I have taken only about five minutes to-day and about ten minutes last night, and I do not think I can be accused of holding up the business of the house. However, as the minister has stated that he is to stay over, the matter is wide open, and I am going to have something to say with respect to this item.

An hon. MEMBER: He can catch the boat yet.

Mr. PERLEY: No; I understand he has missed the boat, and I do not think that is the first boat he has missed. I think many in western Canada, realizing he has missed it, would say "hurrah".

Mr. GARDINER: Not many of them.

Mr. PERLEY: That is not the consensus I get.

Mr. GARDINER: The hon. member keeps poor company.

Mr. PERLEY: With respect to this item there is no detail as there is with respect to others, and therefore we have to go to some other source to get the details. We go to the report of the auditor general. Turning to the index, we are referred to page 53, under the heading, "Prairie Farm Rehabilitation and Water Storage". On page 54 there are the different headings under which the matter is dealt with. We have land utilization, water development and water storage, a total of over \$2,000,000, one being \$501,000 and the other \$1,518,000. It goes on to deal with the purpose for which the vote was provided, and then there is a statement showing the objects of expenditure under the various allotments. There are a number of headings there to which I wish to refer.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. PERLEY: Mr. Chairman, when the committee rose at six o'clock I was referring to the fact that no details are given in the main estimates, and that accordingly we have to look at the auditor general's report in order to get the information. I was referring to some of the items appearing in that report for last year, at pages 54, 55 and 56. On page 54 there is an item of \$501,893.18 for land utilization, and another of \$1,518,106.82 for water development and water storage. I trust that when the minister replies to one or two questions I am going to ask he will give us a breakdown of these figures. Then on page 55 various other expenditures are set out. Salaries and wages account for a total of \$684,668.34; travelling expenses, \$140,124.33; equipment and supplies, \$165,644.02; lands, buildings and works, \$1,244,451.74. These are the main items, and I hope the minister will also give us a breakdown in this connection. Then the auditor general's report goes on to give some details in connection with some of these items, but it is my contention that these details are not sufficient.

I have one little complaint to air to-night with regard to the expenditures made under the direction of the minister, and particularly with regard to water conservation, dug-outs and dams. I have a return here, brought down on June 3, in response to a question I asked as to how many dug-outs had been contracted for and completed in each Saskatchewan constituency during 1941, and also how many water projects other than small dams. The minister smiles; perhaps he has 44561-299 an idea of what is coming. He and I are neighbours, so to speak, out there in Saskatchewan.

Mr. MACKENZIE (Vancouver Centre): Good neighbours.

Mr. PERLEY: Good neighbours, certainly. Our constituencies adjoin; the Qu'Appelle valley is the boundary. According to this return he took unto himself, in his constituency, 449 dug-outs, while he gave me only 188.

Mr. ROSS (Moose Jaw): That shows the intelligence of the people.

Mr. PERLEY: That may be so. I am glad the hon. member for Moose Jaw made that remark; he is always sticking out his neck. Let us look at the constituency of Prince Albert and apply his remarks to it. The minister gave the Prime Minister only two dug-outs. Now what does my hon. friend say?

Mr. ROSS (Moose Jaw): They do not need them there, as the hon. member should know.

Mr. DONNELLY: How many in mine?

Mr. PERLEY: Wood Mountain got only 25, but of course we understand that the hon. member expects to go to the other place, and consequently he did not need them. However, the minister did not treat some of his other supporters very well. Maple Creek got only 19; Swift Current, 91; Rosetown-Biggar, 50; Kindersley, 55, and North Battleford, 45. The minister was pretty good to Yorkton; he gave it 237, and Mackenzie 335, while the hon. member for Weyburn got 158. Lake Centre got 127. I do not think the minister treated some of us very fairly, especially a good neighbour like myself. However, perhaps he will let us know what is to be his policy next year. We may not need so many dug-outs, since moisture conditions in that province are so good this year.

Then I asked for another return showing how many dams were constructed under the Prairie Farm Assistance Act each year from 1939 to 1941, and particularly on the Qu'-Appelle river between Lumsden and the Manitoba boundary. The answer is two, Crooked lake and Round lake, one costing \$20,805 and the other \$18,625, or a total of \$39,430. My complaint in that regard is that these dams cost too much, and I think it would have been much better if they had been built by the people living in that vicinity instead of the contract being given to a man in Regina named South, about whom I can hardly get a line at all. I understand from people who live in that vicinity, however, that they would have liked the contracts for the

construction of those dams, at about 30 per cent of the cost as shown in this return. These are matters which should be considered.

I asked another question, as to whether any investigation had been made or any survey parties working in the Qu'Appelle river valley and its tributaries east of Lumsden to the Manitoba boundary, and if so, I asked as to the personnel of such parties. The answer was that there have been two such parties working there. I do not know how much that cost, but I am going to ask the minister now to give us the cost of those two survey parties up to date. When I was home in June I was told that at least one of these parties, two big carloads, had been coming into town every night, staying at the hotel; and the farmers who saw them operating could not figure out what they were supposed to be doing. That was what prompted me to ask this question; and if the cost was at all considerable I think a great deal of the money was wasted. These are some of the things on which I think the minister should make a statement.

This afternoon the question of labour came up. I hold in my hand a return tabled in reply to a question asked by the hon. member for Weyburn, giving the number employed in the prairie farm rehabilitation offices in the city of Regina, and the number employed in the field as inspectors, supervisors and so on. The return covers seventeen foolscap pages. and shows that there are something like 300 men in the field as inspectors, supervisors and the like, some of them drawing as much as \$1,200 for three months' work. I think the cost of carrying on that work is out of all proportion to what it should be. This afternoon we were told about the labour shortage, and I think the minister would be well advised to turn some of these men into the harvest fields this fall, where I am sure they could do a good job.

There is another item which I should like to bring to the minister's attention, and on which I would ask him to give an explanation. It is found at page 57 of the auditor general's report when, after setting out a lot of the items to which I have referred, as expenditures under the Prairie Farm Rehabilitation Act, the auditor general makes this statement:

The audit for the fiscal year 1939-40 disclosed that over \$1,300,000 of commitments had been incurred without certificates of the comptroller of the treasury having been secured in the manner provided by sections 26 and 29 of the Consolidated Revenue and Audit Act, 1931.

Mr. GARDINER: For what year is that?

Mr. PERLEY: For the year 1939-40. This is the last auditor general's report.

Mr. GARDINER: That is the old difficulty. [Mr. Perley.] Mr. PERLEY: No; it is not exactly the old difficulty.

Mr. GARDINER: It is the same year, anyway.

Mr. PERLEY: As the minister has brought up that question, I might point out that I brought this matter to the attention of the house once before when the auditor general had made a similar statement with respect to paying for contracts for posts in community pastures.

Mr. GARDINER: That is not the same thing.

Mr. PERLEY: Anyway at that time the minister said he was exonerated from any wrong-doing—and of course I am not charging him at all, even now. I appreciate he has a great many men in his department, and is head of a tremendous organization, and there may be a certain reason for this. However, this is the second time a similar statement has appeared in the auditor general's report.

Mr. GARDINER: If it is the second time it is with regard to the same thing, because it has occurred on only one occasion—in that particular year, 1939-40.

Mr. PERLEY: If the minister will permit me to read it I shall prove that it has happened twice, because on the other occasion it was for only some 800,000 fence posts.

Mr. GARDINER: No; but the same complaint was made in the same year as the complaint about the fence posts. It is not the same thing at all.

Mr. PERLEY: I shall read it to the minister, and he can explain it:

The audit for the fiscal year 1939-40 disclosed that over \$1,300,000 of commitments had been incurred without certificates of the comptroller of the treasury having been secured in the manner provided by sections 26 and 29 of the Consolidated Revenue and Audit Act 1931. During the fiscal year 1940-41 a substantial part of these commitments was liquidated and, in general, the branch observed the provisions of the sections above-mentioned.

The words "in general" will be noted. Now there is a complaint that commitments amounting to \$1,300,000, half the amount of the estimates, were incurred without certificates of the comptroller of the treasury. Surely that should not continue. The minister has referred to another incident about fence posts. I recall that on that occasion I asked for the correspondence, and I have it'now in my office. At that time the minister had written a letter to the auditor general asking him if he would supply a letter so that an explanation could be made if the matter came up in the house. The first letter the minister received from the auditor general was not satisfactory, and the minister wrote a second letter asking for another letter from the auditor general. That one was received, and I presume it explained the matter to the satisfaction of the minister.

I draw these points to the attention of the minister and the committee, not with the intention of accusing the minister. All I am asking him to do is to tighten up on the officials in his department and to see that this does not occur again.

I do not propose to speak at great length on this item. So far as conditions in Saskatchewan are concerned, I believe we have arrived at a time when the minister might make a very great saving by cutting out a great deal of this survey work, and even some of the community pastures. I believe a large amount of money could be saved if the minister would curtail expenditures in that direction.

I am now asking for a breakdown of the item for land utilization, amounting to \$501,893, and the amount of \$1,518,106 for water development and storage. Then, would he set out what the policy is this year with respect to dug-outs and dams in Saskatchewan? When the matter is under further discussion, I may have some further questions, but at the present time these will be sufficient.

Mr. GARDINER: I shall first deal with the last-mentioned point, in order that I may discuss it while it is fresh in my mind, because I have not the detailed information before me. The year 1939-40 was the last year in which we followed the policy which had been followed from the beginning under the Prairie Farm Rehabilitation Act. It was the policy which was quite generally followed in connection with matters of the kind. I have just forgotten the figures for 1935, but it runs in my mind that applications in 1935 amounted to somewhere in the neighbourhood of 5,000. In any event they were considerably higher than anything which could have been done in that particular year.

Mr. HANSON (York-Sunbury): That was the start.

Mr. GARDINER: Yes, that was the start. People applied from all parts of the province. It was not anticipated by anyone that anything like the number could be taken care of with the money available.

Then there was another reason why they were not all taken care of, namely the fact that the farmers were required at that time to do their own jobs. They were not allowed to have contractors to come in and do it in a municipality, for example. It was supposed 44561-2993 Supply-Agriculture

to be done by the individual farmer, and the only way in which he could be paid was to have it done in that way.

The hon. member for Souris will recall that in his section of Manitoba the idea was developed of having these dug-outs put in by the municipalities with drag-lines. Probably his own municipality was one of the first to undertake that procedure. In the advisory committee, of which the hon. member for Souris was a member, the question was raised of allowing municipalities to organize to assist farmers in having this work done. We agreed in the second year to that procedure. I think it was 1936 in which agreement was given, and in 1937 it was followed up still further until finally the west became pretty well organized on that basis; not only Manitoba, but Saskatchewan and also part of Alberta were organized either on the basis of contractors who would come in with drag-linesand they were encouraged to come in by municipal councils-or on the basis that the municipalities purchased drag-lines and put them to work digging dug-outs for farmers.

We got into no difficulties at all until 1939. And the only reason why we got into difficulties then was that so many of these outfits had gone into the work that they cleaned out more dug-outs than we were able to pay for during that year. The policy followed prior to that was the policy of authorizing these dug-outs as they had been inspected by our engineers.

Mr. PERLEY: To be put in by the farmers themselves.

Mr. GARDINER: Yes, to be put in by the farmers. That is the way in which we started. Then we went on on that basis, simply passing them as proper locations on which to make dug-outs. They were authorized for construction. Then in 1939, as I said, so many of these outfits got busy on this work, partly because of what I have said and partly because of poor crops, that a great many more dug-outs were dug in that year than we were able to pay for. That is the point to which the auditor general refers.

In the succeeding year we were unable to do any new work, or very little, in any case. As I recall it, probably there were none at all taken out during that year. The whole matter was cleared up during the succeeding season, and we have had no difficulty of that kind since. We simply authorized what we are capable of paying, with the funds we have available, and carried on on that basis.

Therefore, while I have no objection to the hon. member's bringing the matter to the attention of the committee, I would point out that the difficulty in that connection was

corrected even before the auditor general called it to our attention. We were busy correcting it before he mentioned it.

Mr. DOUGLAS (Weyburn): I notice the auditor general says:

During the fiscal year 1940-41 a substantial part of these commitments were liquidated and, in general, the branch observed the provisions of the sections above mentioned.

Were there at the end of the fiscal year to which this report applies still some of these outstanding amounts?

Mr. GARDINER: No; I understand they were all cleaned up. I would not be absolutely certain without going through all the records as to whether there might not have been a few of them which were not completely cleaned up; but—

Mr. DOUGLAS (Weyburn): It was, substantially.

Mr. GARDINER: Yes; it was all cleaned up, in so far as it had been a problem. I am told that there is nothing outstanding now; it is all cleared up. One might draw a wrong impression from the information given with regard to the dug-outs in the different constituencies. I am sure that my hon. friend had no intention of indicating that it was because of any personal or political feelings between ourselves that the development had taken place, but in order to indicate that it could not have been such I should like to give a few figures. The total number of dug-outs in different constituencies from the beginning of the plan to March 31, 1941, are as follows:

Qu'Appelle																	430
Weyburn .	 																1,096
Souris							•								•		853
Melville		•	•			•	•	•	•	•	•		•				746

Out of that group the hon. member for Qu'Appelle and I might have some reason for complaint when we compare our constituencies

Prairie farm rehabilitation.

with the others, but when one takes the whole record there is a good reason for this.

Mr. PERLEY: How many in Wood Mountain?

Mr. GARDINER: It should be fairly high, but as a matter of fact it is only 250 completed.

Mr. PERLEY: There were no complaints from the hon. member?

Mr. GARDINER: No, I do not recall that there were.

Mr. DONNELLY: There must be some mistake because I inspected more than 250 myself.

Mr. GARDINER: There were 650 inspected and applied for.

Mr. DONNELLY: Are those dug-outs or dams?

Mr. GARDINER: Dug-outs. Just giving the individual figures does not mean very much. In Wood Mountain there were 422 stock-watering dams completed; in Weyburn there were only 214, and 1,096 dug-outs. If one considers the amount of money put into them, it probably works out about the same. One would also have to take into consideration the fact that in a constituency like Weyburn there would not be as many larger dams as might be found in other considerad. All these things have to be considered.

Mr. PERLEY: What are the figures for Moose Jaw?

Mr. GARDINER: Apart from the water supply project, they would not be particularly high. Moose Jaw has only 283 dug-outs and 104 small stock-watering dams, but there has been a considerable expenditure on water supply. That would figure only as one dam.

I was asked to give the break-down of the figures for 1941-42, the last year for which we have complete figures. They are as follows:

Headquarters administration— Ottawa Regina Economic surveys. Entomological surveys.	\$ 7,661 63 41,788 50 44,035 49 6,297 86		
Administration total Cultural experiments and research		\$ 99,783 4	8
Administration District experimental stations, reclamation stations. Grass investigations, coverage and range surveys. Tree planting. Soil research, soil surveys. A.I.A.'s, soil drifting, including horticultural development. Cultural work on irrigation projects. Live stock surveys, sheep development.	\$ $\begin{array}{c} 11,883 \ 83\\ 138,255 \ 47\\ 41,386 \ 13\\ 32,715 \ 44\\ 56,743 \ 50\\ 43,446 \ 45\\ 13,810 \ 04\\ 10,453 \ 40 \end{array}$		
Cultural total Land utilization—	-	\$ 348,694 7	6
Administration Construction community pastures Pasture management and operation community pastures [Mr. Gardiner.]	20,871 55 330,191 84 116,589 43		

I should like to say this in passing, in view of the remarks of the hon. member for Qu'Appelle, that the operational costs are all paid by the pastures themselves. There is no cost whatsoever on the government. The only cost is the original capital cost of buying the pasture. The maintenance cost is paid by the fees of the farmers surrounding these pastures. More figures follow:

Purchase of land Purchase of bulls Reestablishment of farmers Seeding purchases, et cetera Grass seeding community pastures	$\begin{array}{cccccccc} \$ & 62,310 & 06 \\ 19,586 & 37 \\ 33,918 & 11 \\ 132,307 & 28 \\ 52,593 & 80 \end{array}$	
Total land utilization		\$ 774,368 44
Water development, water storage— Administration Small projects. Large projects. Water storage. Surveys	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	
Total, water development		\$1,183,656 61
Grand total, P.F.R.A		\$2,406,503 29

Mr. PERLEY: That is about \$100,000 less than the year before?

Mr. GARDINER: I have not the figures before me, but I think it is about that. The vote has been \$2,500,000 for the two years. I was asked to give a distribution of the 1941-42 expenditures by object of expenditure. These are:

In order to understand these items it must be understood that a considerable part of the work done in connection with water development is engineering work. A farmer may ask the branch to send out an engineer to give him advice as to where and how to construct a dam to take care of his water supply. The department may undertake that expenditure, but there may be no expenditure in connection with the building of the dam. The farmer may do the work himself. The same thing happens in many cases in connection with dug-outs. All the farmer receives is advice, but that advice costs us money because we must send out an engineer and pay his salary and travelling expenses while he is away.

In addition to that, we investigate a great many projects upon which nothing is done. For instance, a farmer thinks he would like to have a water supply developed in a certain place. Engineers go out, and they may report that the soil is such as to make it impossible for the water to be retained. The subsoil may be sandy or the water in some way be drained away, and they advise the department not to go ahead. The same with regard to dams. A dam that is put in gravelly or sandy subsoil would not retain the water. These investigations are made by the department without cost to the farmer. All he gets is advice, upon which he usually acts.

Other items are as follows:

Postage, telephones, et cetera	\$ 13,568	72	
Equipment and supplies	353,486	99	
Feeds		39	
Lands, buildings and works	701,498	84	

I think the suggestion was made that an item of that size for lands, buildings and works might require explanation. It will be realized in connection with land utilization that we do purchase lands. In some cases we have to purchase lands that make up a small part of a very large pasture. An item of \$582,961.79 is included in this \$701,498.84 for water development. In connection with water development we have to purchase the site for the large type of dam used for irrigation purposes. We have also to purchase the right of way for ditches that connect the dam with the lands to be irrigated. In connection with projects like those at Valmarie, Eastend and others we purchase the lands themselves and resell them to the individuals who are settled on them. In other words, we are purchasing lands in many different ways.

In addition to these purchases, there are on the lands themselves the works in connection with the development. Take an operation like that at Eastend, where we built a dam costing in the neighbourhood of from \$100,000 to \$200,000. It does not take very many expenditures like that to make up this total.

In the Maple Creek area we have a number of smaller dams, also in the Swift Current area, and ditches are built to connect the dam with areas located a considerable distance away from the dam itself.

Other items are:

Printing and stationery	\$19,297	28
Legal expenses	1,069	38
Rents	77,220	91
Freight	30,480	37
Advertising		
Miscellaneous	70,716	69

This makes a total of \$2,406,503.29.

Mr. PERLEY: There is quite a considerable increase in some items, but in the first three or four I notice there is a decrease. I have a return here dealing with the dam at Echo lake and another at Last Mountain creek. While on the subject of dams and water conservation, would the minister state the cost of the scheme to get water into the city of Moose Jaw, and how far it has progressed? There has been considerable discussion of that scheme on former occasions. What has been expended so far on the scheme to get water into the city of Moose Jaw?

Mr. GARDINER: The approximate figure is \$500,000. That is what the vote was to begin with.

Mr. PERLEY: How much has been spent?

Mr. GARDINER: It is practically all spent.

Mr. PERLEY: What is the position at the present time?

Mr. GARDINER: Our general undertaking with the city of Moose Jaw is that we were to put in the equipment; that we would construct the ditch; that we would clean out the basin where the water is to be stored and prove to them or to anyone interested that water could be pumped through this ditch to the basin of Caron, after which the whole project would be turned over to the city of Moose Jaw for operation and maintenance. We had just about accomplished our end of this work when the most unusual cloudburst that has been seen in that area for many years washed out part of the ditch, and we could not continue to fill the basin at Caron with water. Last year we pumped water from the river to the basin at Caron. Then this cloudburst came. We undertook to make repairs, which it was estimated would cost about \$20,000. I have not the figures of the actual cost.

We had some difficulty this year with shifting sands in the river. The river is high and the sands covered the intake, with the result that sandy water got into the pumps and affected them. We are having them repaired at the present time. We are also having an [Mr. Gardiner.] investigation made by a firm of water engineers of Toronto into the intake itself, to learn whether we should reconstruct the intake in the river before attempting to pump any more water, because of the damage that sandy water would do the pumps themselves.

Mr. PERLEY: What is the estimate of the cost to complete the scheme?

Mr. GARDINER: I am sorry I am not in a position to say. The cost up to date, including repairs, is considerably higher than the figure I first stated. It would be over \$500,000, including the purchase of the land.

Mr. DOUGLAS (Weyburn): Has Moose Jaw agreed to take over the project, or is it to be left on the government's hands?

Mr. GARDINER: Councils change from year to year, and one cannot be absolutely certain what the council that will be in office when the work is completed will do, but the understanding is that when the government has pumped water into the Caron basin and indicated that the plan is feasible, the city will take over the plant and operate it.

Mr. DOUGLAS (Weyburn): Is the water in the basin now?

Mr. GARDINER: We pumped water into the basin last summer, but the ditch was washed out by a cloudburst. We felt that we were responsible for going ahead until we got the water through, and therefore we made the repairs this spring. Then we experienced this further difficulty I have mentioned of sand getting into the pumping apparatus.

Mr. DOUGLAS (Weyburn): So far there is no flow of water coming down there?

Mr. GARDINER: It is not flowing at present, but it did flow last summer.

Mr. BENCE: Was there any difficulty with regard to the ditch holding water?

Mr. GARDINER: Only the difficulty I have mentioned. In a country as dry as that had been, the soil would have to be soaked with water before one could be absolutely certain that the ditch would hold. It is seventy miles from the river to the basin. I went there last summer, and the water was then within $4\frac{1}{2}$ miles of the basin. Hon. members who know that section know that the part of it which is likely to be found sandy is the south end near the Caron country, and the water was then within $4\frac{1}{2}$ miles of the basin. Eventually it did run into the basin, some weeks after I was there.

Mr. DOUGLAS (Weyburn): Into the basin.

JULY 25, 1942



Mr. GARDINER: Yes. Water did run all the way down the ditch, and there were two leaks. We had to puddle clay and put it in to cover up the sand-pits in certain places where the water would leak out, but the opinion of the engineers is that when the ditch is properly seasoned it will carry water down. They are putting water into it, and this would have been an ideal year because there have been heavy rains throughout the whole season. The ditch has been full in some parts from the rain itself without any water having come from the river. If we could have gone right ahead this year instead of having to repair ditches in the early part of the season, then having trouble with the pumps, there is no doubt water would have been there weeks ago.

Mr. PERLEY: Will it always have to be a pumping system?

Mr. GARDINER: The river is 200 or 300 feet below the level of the prairie, and the water has to be pumped.

Mr. ROSS (Souris): The people in the southwestern part of Manitoba appreciate very much the assistance they have been given in the matter of dug-outs, water dams, and service generally. The only complaint is that they did not have more dams and so on. Can the minister explain what the decrease of \$500,000 will mean this year from the point of view of community pastures or in other respects? I had to be out of the chamber for a few minutes last night, but to-day I read Hansard and Votes and Proceedings as well. The minister said that item 28 had been passed last night, but I could not find, either in Hansard or in Votes and Proceedings, anything to show that this matter had been dealt with.

Mr. GARDINER: My memory of what happened last night is that when we reached item 27 the Chairman called "carried," and I asked him to allow it to stand because of discussions I had had with the member for Haldimand (Mr. Senn). I asked the Chairman to have item 27 stand and proceed with item 28 and then go on to items 32 and 33 and deal with those. My memory is that the Chairman called "carried" for item 28 and then called item 33, and that we discussed item 33 and passed it.

Mr. ROSS (Souris): It does not appear in that way in the records.

Mr. GARDINER: That is what actually occurred. I asked him also to consider item 32 but it was so close to time that we did not go on with it.

Mr. ROSS (Spanis): I prod to be absent for a few minutes, but from the reading of Hansard and Volescand Proceedings I to not find item 28 accounted for in any shape or form.

Mr. GARDINER: I am sore I did not check *Hansard* to the end last night, or I would have noticed it.

Mr. ROSS (Souris): May we deal with it after item 29?

Mr. GARDINER: If it is agreed that it was not passed, I am prepared to answer the question, but I would hesitate to go back.

Mr. ROSS (Souris): Why is it not recorded in *Hansard* or in *Votes and Proceedings*? Why does it not appear as having been passed? How is a member to know, if he has been absent?

The ACTING CHAIRMAN (Mr. Fournier, Hull): In Votes and Proceedings item 28 does not appear as having been carried.

Mr. GARDINER: Is it not mentioned in my remarks?

The ACTING CHAIRMAN (Mr. Fournier, Hull): I have not looked up Hansard.

Mr. GARDINER: If any hon. member wishes to ask a question on item 28 he can ask it, but I wonder if we could not clean up item 29.

Mr. ROSS (Souris): That would be my suggestion. Did the minister intend to say something about the \$500,000?

Mr. GARDINER: The reduction of \$500,000 has to do with water storage. As a matter of fact, it was inserted in the first instance to take care of the Moose Jaw project and some other undertakings of a similar kind. We put in \$500,000, and it was all stated in one vote. That is what it is for, and we will cut down on water storage projects this year rather than on dug-outs and small dams and constructions of that kind.

Mr. BLACK (Cumberland): I wish the minister would make a statement with regard to control of water at the head of the bay of Fundy, because it affects our marshlands. These estimates provide for enormous expenditures for western Canada. Certainly they are enormous in the eyes of eastern farmers. The members of this house and our people generally are sympathetic when the appropriations are for the benefit of agriculture, and are properly expended. One coming from the east is struck by the fact that of the special agricultural appropriation last year, of which \$30,008,000 was spent, the whole was for western Canada

and none for Nova Scotia or the east. In our province we have a problem which I have at different times brought to the attention of the minister and of the house. The water must be controlled on our marshlands where there is too much water rather than too little, as is the case in the west. Millions of dollars have been expended for the control of water in the west, while we have had no such expenditures in the east on the part of the federal government. It is the view of the owners of these lands and of the public in Nova Scotia and in New Brunswick that it is essential that there should be a federal appropriation to restore our marshlands at the head of the bay of Fundy.

All those who are acquainted with these marshlands know that they are the most fertile in eastern Canada. They are the lands that attracted early settlers to the head of the bay of Fundy. In recent years part of these marshlands have been reverting to floating bogs, because the farmers have not been able to keep open the main drainage outlets. Large areas are lands flooded by the tides, because the owners have not been able to re-build the dykes. A large body of land near the town of Amherst is reverting to floating bogs, and unless something is done by the federal government to open up the main drainage channels, it might as well be turned over to the migratory birds and abandoned by the farmers. The farmers require these lands as a basis for their crops and to raise beef and dairy cattle.

It would not take a large expenditure, if properly made, to open up these main drainage ditches. I have discussed this matter with the minister, and I felt he was sympathetic to the proposal. Hon. John A. McDonald, Minister of Agriculture, of Nova Scotia, has made extensive surveys and has expressed a willingness to cooperate with the farmers and with the federal authorities in draining and protecting these marshlands, leaving the smaller ditches to the property owners. Unless something is done to assist the farmers in the drainage of these lands and in protecting them from the sea, these lands will revert to the condition they were in when the first settlers came. This would be not only a great loss to the farmers and to the community but a reflection upon the progress of our country and upon the people in that part of Canada.

I regret that there is no appropriation in the main estimates dealing with this situation, but I understand the minister is sympathetic, and I am hopeful that before this session is over he will be able to supplement the statement he has made to-night and do something about this very pressing problem.

[Mr. P. C. Black.]

Mr. GARDINER: As the hon. member has said, the problem of the marshlands in the maritime provinces has been under consideration at least since I became Minister of Agriculture and, I think, long before that. At the time I became Minister of Agriculture the department had secured a portion of these marshlands as part of the Nappan experimental farm and done the necessary work of draining and reconditioning and fertilizing to get them back into much the state that they were in in the days when the original settlers built the first dykes.

Mr. BLACK (Cumberland): And these lands have been producing three or more tons per acre of the very best hay.

Mr. GARDINER: I was going to say I took the trouble when I was in Nova Scotia last summer to reinspect these lands. When I saw them in 1936 the operations were just beginning, and the lands then looked just like any other marshlands where water has been getting in over them. To-day I think those lands are producing as much per acre as any lands in the maritime provinces, perhaps more. As Minister of Agriculture I have been convinced that one of the most worth-while works that I know of anywhere in Canada can be done in that area from the point of view of providing lands on which people can maintain themselves in agriculture. The problem of dealing with them, apart from the experimental work, has always been considered here to be a provincial problem.

I have attempted for three years now to have some money provided to do some work. This year I was turned down three times before I finally gave up. I was turned down in an effort to get money under the war vote on the ground that these lands were required to supply some part of the shortage of food products in the maritime provinces rather than that we should draw upon our surplus elsewhere to feed the people in that area. But it was considered, probably rightly so, not to be an expenditure that ought to be made from money provided for war purposes, the reason being that while the immediate effect might be good from the war point of view, the greater part of the money would be expended to take care of a difficulty that had existed for a long time and that unless someone does something about it, it will be there for a long time to come. It was considered still a provincial responsibility, not sufficiently national to justify an expenditure of money from the treasury of Canada.

Then I thought we might be able to get it under a vote such as this, but again it was refused on the ground that under the act prairie farm rehabilitation is confined to the drought area of western Canada and that it is not desirable to extend the scope of these activities during the war period, when money is required for so many other purposes.

The third time I attempted to get it under the supplementary estimates which come into the regular estimates under our experimental farms vote. But I was turned down on that, with the provision that I could report to the house that it had been turned down by the treasury board, of which I myself am a member.

I am giving this information to the committee in order to indicate that even ministers are not always able to get the things done that they think ought to be done, or have money spent that they think ought to be spent. I am not certain that I was right in advocating that this money be spent by the federal government. I think it ought to be spent by someone. I do not know any work that could be more usefully done in Canada from the point of view of improving the agriculture of an area than work having to do with the marshlands about the bay of Fundy in both New Brunswick and Nova Scotia.

That I think will have to end the matter as far as this session is concerned. It is not in the supplementaries; it is not in these estimates, and I know of no way of having it put in this year. Most of those who have discussed the matter believe it to be a provincial responsibility. The province has been sympathetic and would, of course, have been pleased if we had spent the money; probably it would have been prepared to take care of the maintenance or to have had it done by the local organizations; but the government here, and more particularly the treasury board, thought there should be an advance of a different nature made by the province before we should consider making payments out of the treasury of Canada.

Mr. BLACK (Cumberland): I wish to express my appreciation of the minister's personal attitude in respect of this matter. If it were required for the western provinces I would expect him as Minister of Agriculture to be successful. He has the reputation of being able to get any appropriation, involving enormous expenditures, needed for the west. But very little is being done for the east. It may be necessary for us in the east, for a short time at least to get an eastern minister of agriculture. But I do not wish to make that change to-night. Supply-Agriculture

An hon. MEMBER: Leave it over the week-end!

Mr. BLACK (Cumberland): I believe that some expenditure for improving or restoring these eastern marshlands is at least as important, if not more important, than the work being done under the minister in the prairie provinces. Inasmuch as these eastern marshlands are older lands, the drainage of them and the protection of them from the tide can, in my opinion, be justified to a greater extent than the building of these storage basins in the western provinces. I feel so strongly on this matter, coming from Nova Scotia, that I would be inclined to move that this vote be reduced, in order to test the feeling of the members of this house in regard to the unfair division of these expenditures. The amount appropriated last year for water control in western Canada was \$2,500,000; the estimate for this year is \$2,000,000, and I would be inclined to move that it be reduced to \$1, unless some measure of justice is done the people of eastern Canada. I do not want to reflect upon the minister. He may have done the best he could. He made a straightforward statement to the committee to-night. I believe he made a strong plea to the treasury board, headed by the Minister of Finance, but that is not good enough as far as Nova Scotia and New Brunswick are concerned, and I am not satisfied to allow the present allotments to continue, in view of the expenditures being made for the control of water in western Canada.

There is another reason why this work in the east might be undertaken now. Much of the machinery that is owned or controlled by the Department of Public Works is now idle, and surely some of it could be utilized to open up these main drainage outlets, so that these fertile lands, which attracted the early settlers, will not again become floating bogs, or be covered by the wash of the tides, but that they might be restored to cultivation. The provincial government has promised to assist in the work, but the provincial government does not consider that it should be held entirely responsible, and I agree. I think the main responsibility and obligation should be assumed by the federal government, particularly in view of the fact that it can spend twelve or fifteen million dollars on prairie farm rehabilitation, and many millions on the control of water in the western provinces, while the east has not been able to have a dollar spent on this kind of work.

I want to thank the minister for his statement and for his appreciation of the needs of the marsh owners at the head of the bay of Fundy, but I am not satisfied to allow the matter to remain as it is.

REVISED EDITION

44561-300

Mr. DOUGLAS (Weyburn): I should like to ask one or two questions. The first is with reference to the fact that at the close of almost every fiscal year there are a number of accounts outstanding; that is, a number of farmers who have put in dug-outs or sold land for water development, who have sometimes obligated themselves to oil companies and other concerns for considerable sums of money, in the expectation of being paid by the government, sometimes have had to wait six months or a year for those payments. I can understand, in view of the minister's statement to-night, that in some instances the department spent much more money than was actually contained in the vote, but I should like to ask whether there are any outstanding accounts left or whether all those people to whom money was owing, either for labour or for land, have been paid. The second question is this. I understand that last year, of the \$2,500,000 voted, about \$2,400,000 was spent. Could the minister tell us how much of that was for administration?

Mr. GARDINER: I placed the complete figures on Hansard. It all depends on what the hon. member means by "administration". Salaries and wages in connection with administration amount to approximately \$73,000, and the total sum for administration is given as \$99,000. That includes the salaries of those engineers of whom I was speaking, who go out and do investigational work for farmers. There is no capital expenditure in connection with some of those works, as far as the government is concerned; we give the farmer the engineering free, and he goes ahead and does his own work. There is a good deal of that done, and therefore it is hardly fair to say that all this administration cost should be charged against the actual works which may be carried out. Subject to that, the administration cost was \$99,783.48, and the total amount expended was \$2,406.503.29.

With regard to the outstanding accounts, I think the memory of the hon. member for Weyburn must be running back to 1940, for that was the year in which the greater part of the difficulty arose, running over from 1939. The big part of it came about in the summer of 1940, and then in 1941 there was a comparatively small amount carried over. For the greater part of last year, however, and for all of this year there has been very little of that. It may be that there was some difficulty in a certain neighbourhood which may have come to the attention of the hon. member for Weyburn or some other hon. member, but the total amount would be very small when compared with our expenditures under the Prairie Farm Rehabilitation Act. Under the method we are following now there [Mr. P. C. Black.]

must be money available all the time to cover any authorization. That is the principal reason why we are down about \$100,000 in our expenditures last year; there had to be sufficient leeway to make absolutely certain that every account could be paid before the accounts were closed for that financial year. As a result we spent \$2,400,000 instead of \$2,500,000, and therefore there has always been money available to make the payments. That difficulty would only arise in cases where for some reason or another the treasury was not prepared to pay an account, or where we had not satisfied those making the audits that the expenditure should be made.

Mr. DOUGLAS (Weyburn): I wrote the minister about some cases last winter. I think some of those accounts have been paid. Would the minister say whether most of the outstanding accounts have been cleared up?

Mr. GARDINER: There may be an individual case or two, but they have been practically all paid.

Mr. FAIR: Who are the members of the treasury board at the present time?

Mr. GARDINER. Of course the Minister of Finance is a member, with the Minister of Trade and Commerce, the Minister of Mines and Resources, the Minister of National Revenue, the Minister of Justice and the Minister of Agriculture. Then there are alternates who attend when we are absent.

Mr. PERLEY: What is the amount it is estimated will be required to complete the Echo lake dam and what will be the total cost when completed?

Mr. GARDINER: I am not just sure which of those lakes is called Echo lake. Is it the one west of Fort Qu'Appelle?

Mr. PERLEY: Yes. Then, is anything being done at Katepwa lake?

Mr. GARDINER: I understand that this year for the first time Katepwa lake is filled and the dam is overflowing. There has always been a question as to whether or not we should raise that dam. The engineers think we should. Those of us who have had some practical experience with it question that opinion, and I have been responsible for holding up any expenditure on that dam until this year. I am now receiving letters telling me it is too high. The reason why I have taken that action is that on one occasion that dam was raised, and one foot had to be taken off the top of it. On another occasion it was again raised a foot on the advice of engineers, and we found that the lapping of the water around Lebret and Katepwa, and on the other side of the lake, was having the

effect of making the shade trees in those areas fall into the lake, and bringing about other difficulties as well. Accordingly we have left it until another high-water year. I think the high-water year is going to indicate that those of us who thought there would be some danger in putting it up further were correct, and therefore the work may not be done. But if the work is done on Echo lake it will cost \$25,000.

Mr. PERLEY: More?

Mr. GARDINER: Very little has been done on it up to date.

Mr. PERLEY: I think the minister's statement agrees with the idea I have in mind. In my view a lot of money is wasted in connection with the building of dams on certain of these lakes. So far as Crooked lake dam was concerned—and I will not refer to it at great length—it was in my opinion a very great mistake. By raising it just seven feet they have flooded hundreds of acres of high land on the Indian reservation. From the report I have I understand they will be able to cut scarcely any hay on the reservation this year, and that is because the level of the lake has been raised.

Will the minister be able to give a report on the surveys to which I have referred in the Qu'Appelle valley? I see that the sum of \$2,719 has been expended to the end of May. I believe that includes April and the month of May. When may we expect a report? It is pointed out that the survey is for the purpose of locating and establishing the extent of irrigable areas in the valley.

Before the minister answers I should like to refer to the matter of pastures. I have before me a return in which is set out the number of community pastures established last year, the cost of each, and the fencing costs per mile. This statement shows that there were nine pastures, and that the fencing cost from \$301 to \$395 per mile. If those are the correct figures, they are out of all proportion. I do not care whether the work was done by contract, by the government or by officials of the department; in my opinion the cost is too great. I have twenty miles of fencing, with cedar posts, carrying a four-wire fence. I know what that cost, and I should like to have the contract of building fences for half the money quoted here. If that is the way in which money has been spent, there is no reason for it at all, and moneys have been very considerably overexpended. No fence in Saskatchewan should cost \$395 a mile.

Mr. GARDINER: With regard to the first matter I would say that surveys are being run up all of the streams flowing into the 44561-300à

Supply-Agriculture

Qu'Appelle river, both on the south side and on the north side. I am not certain as to the number which have been run on either side of the river, but the intention is to run surveys for the purpose of locating possible sites for dams. Those dams are to maintain water for two purposes, the first being to take care of possible irrigation for the production of hay and fodder to be used in years of drought, and the other being to feed the lakes below, and any lands which may be irrigated as a result of those lakes having water in them during the summer. The purpose is to feed those lakes throughout the season, rather than have the water all go down in the spring, rush off and leave no water for irrigation later on in the season.

The main reason why the surveys have to be made is that one may look at a location with the naked eye and consider it to be a proper place to put in a dam. After putting a dam in, he may find that his water supply extends back only a few rods, because of the steepness of the basin of the stream at that point. But at some other point a similar dam may be put in, with the result that water would go back half a mile, or even a greater distance. The surveys are being made for the purpose of having information with regard to streams before any work of that kind is undertaken. The surveys are made for the purpose of trying to avoid spending money wastefully. This is the second season this work has been done, and the cost up to date is in the vicinity of the amount indicated.

Then, as to fencing, I agree that there are nine pastures. The cost of fencing averages from \$301 to \$395 per mile. I believe the fence used is a five-strand type; the posts are all creosoted, and most of them have to be shipped a considerable distance. Costs of materials for fences are very high at present. The work is done by the farmers living in the community. If the farmers are not available we sometimes hire other people, and they are paid ordinary rates of pay.

Mr. NICHOLSON: Since the subject of dug-outs has been mentioned, I should like to say that the farmers in my constituency appreciate very much the practical assistance which has been given to them in this regard. Hon, members can scarcely appreciate the difficulties many of these farmers have had in the past when they have had to haul water several miles at busy seasons of the year. In these days, with the very serious shortage of labour and the need for increased production of hogs and dairy products, this very practical assistance has been a worthwhile contribution.

On behalf of the large number of farmers in my area who have been given assistance in connection with the construction of dugouts I should like to express appreciation to the department.

Item agreed to.

Marketing service.

28. Marketing of agricultural products, including temporary appointments that may be required to be made, notwithstanding anything contained in the Civil Service Act, the amount available for such appointments not to exceed \$13,000, \$25,000.

Mr. ROSS (Souris): It has been already stated that our present programme calls for the development of 40,000 tons of synthetic rubber. It has been pointed out that some 13,000,000 bushels of wheat manufactured into alcohol would make this amount of rubber. May I point out that 40,000 tons of synthetic rubber would not begin to take care of the demand for rubber in this country at the present time; that is only the programme for the coming year. One hundred pounds of wheat is supposed to make ten pounds of rubber. It has been stated that this rubber may be made, with wheat at 75 cents a bushel net, at a cost of 30 cents a pound for the rubber. It is recognized that rubber made from gasoline costs 40 cents a pound.

My point is that we must recognize the fact that a great deal of capital assistance has been given by the government to set up industry, chiefly in eastern Canada, for the manufacture of war munitions. It is recognized, too, that there is a great shortage of gasoline in the country to-day. I believe there is the possibility of a great development in the manufacture of rubber through the use of wheat.

My point is that the Minister of Agriculture should use his influence with the Minister of Munitions and Supply, and I am sure the Minister of Mines and Resources who is in his seat would give some assistance. These factories should be established in the prairie provinces, because, if that were done, costs of transportation and other costs in connection with moving the wheat to eastern Canada, a procedure which costs the farmer 14 or 15 cents a bushel, would be saved. The establishment of the industry in western Canada would have the effect of decentralizing industry to some extent. In Manitoba we have large quantities of the cheapest electrical power on the north American continent, and that power would be available in factories of this kind. I trust the minister will keep this in mind, because I believe there is a great future in it. It would provide an outlet for many million bushels of our wheat. We do not know to just what extent [Mr. Nicholson.]

it may be developed, but it may be considerable. What has been done in the way of research?

Mr. GARDINER: A great deal of research has been carried on in other countries, particularly in the United States. Some research has been carried on here under the national research council in cooperation with the officials of our own department. The work has got beyond what might be called the investigational stage; it has reached the experimental stage. A plant is being provided at Sarnia to make use of both petroleum products and wheat. There are wheat storage elevators in the vicinity as well as petroleum works.

The present intention of the Department of Munitions and Supply is to operate this plant and prove to their own satisfaction and the satisfaction of everyone else what can be done both with petroleum products and with wheat. As to what it will cost to operate with one or the other of the raw products, I doubt if anyone has any final information. There is a great deal of speculation, but the only information I have is what I have heard in discussion or read in the press and periodicals. I think the general impression is that the capital cost of handling petroleum is higher than that of handling wheat, but the difficulty of getting the materials necessary to provide a plant for the utilization of wheat is perhaps more difficult, copper being one of the materials needed. There are also difficulties in connection with the essential products. I am given to understand-I do not know that this has been proven by anyone-that the actual cost of operation in connection with petroleum products is lower than in connection with wheat products. There are all kinds of figures circulating with regard to the actual cost and with regard to the actual price at which one would have to get the wheat in order to do the job in ordinary times, or even in war time. The fact of the matter is that this plant is now established, and we shall be in a much better position to discuss the matter a year hence than we are now. I have no information that could be called authentic.

Mr. DOUGLAS (Weyburn): Will the minister explain the provision under this item which permits him to spend \$13,000 for temporary assistance "notwithstanding anything contained in the Civil Service Act"? Is that to engage persons temporarily to go out to secure trade in other countries?

Mr. GARDINER: It has varied in amount from time to time. We might send a person out on investigational trips in connection with marketing. Some of these men have been sent to south America, some to Great Britain, and

some to different places in Canada. They are appointed on a temporary basis, not on a permanent basis.

Mr. DOUGLAS (Weyburn): To secure information as to what products will be acceptable?

Mr. GARDINER: And to make investigations as to what people in other places require.

Item agreed to.

Special.

30. Prairie Farm Assistance Act, \$500,000.

Mr. DOUGLAS (Weyburn): What awards have been paid in each province, and how much has been paid out in each province to the latest date the minister has?

Mr. GARDINER: I will give both the prairie farm assistance and the prairie farm income in order to avoid answering another question, and the figures I have are up to July 2, 1942. They are:

Prarie farm assistance

Awards— Saskatchewan Manitoba Alberta		424 928 184
Total	\$ 74,	536
Amounts expended— Saskatchewan Manitoba Alberta	34,788	66
	\$14,253,280	17

Supply—Agriculture

That is the highest that has ever been paid since the legislation was brought in.

Prairie farm income Farmers—			
Saskatchewan	\$ 112.7	759	
Manitoba	41,0	003	
Alberta	68,9	986	
Total	\$ 222,7	748	
Amounts expended-			
Saskatchewan	\$ 9,838,182	33	
Manitoba	2,935,688	91	
Alberta	4,908,820	17	
Total	\$ 17,682,691	41	

Perhaps I could give the three main totals together:

Wheat acreage reduction	\$31,717,557	56
Prairie farm assistance	14,253,280	17
Prairie farm income	17,682,691	41

Total..... \$63,653,529 14

Mr. DOUGLAS (Weyburn): Has the minister the particulars of the Prairie Farm Assistance Act, that is the payments made under section 3 and those made under section 4?

Mr. FAIR: Could the minister put along with those figures the amounts collected under the one per cent levy?

Mr. GARDINER: Here are the figures for 1941-42:

Payments made under the Prairie Farm Assistance Act for the year 1941, as at June 30, 1942

		Manitoba		
Yield category 0 - 5 (crop failure)	No. of twps.	No. of awards	Amount	
0 - 4 $4 \cdot 1 - 8$ $8 \cdot 1 - 12$	2 31	52 892	\$ 3,170 75 31,310 80	\$ 34,481 55
		Saskatchewan		<i>y</i> 01,101 00
Yield category $0 - 5$ (crop failure) $0 - 4$ $4 \cdot 1 - 8$ $8 \cdot 1 - 12$	No. of twps. 473 20* 621 648	No. of awards 15,305 685 19,770 21,986	Amount \$5,590,126 91 187,772 77 3,875,799 50 1,741,495 08	\$11,395,194 26
		Alberta		
Yield category 0 - 5 (crop failure) 0 - 4 4.1-8 8.1-12	No. of twps. 207 16 324 284	No. of awards 2,787 429 7,125 5,926	Amount \$ 893,694 39 113,740 84 1,314,535 95 494,621 85	\$ 2,816,593 03
Total payments				\$14,246,268 84

*Taken in on account of hail, not under crop failure provisions.

The amount collected prior to 1941-42 was \$5,004,197.19. This year the amount collected from August 1, 1941, to June 30, 1942, which is not a complete year, was \$1,387,842.26. The total collected to date is \$6,392,039.45.

Mr. DONNELLY: What was the total paid?

Mr. GARDINER: The total paid for the whole time was approximately \$30,000,000.

Mr. JOHNSTON (Bow River): How many payments under P.F.A. are still unpaid in each of the provinces?

Mr. GARDINER: There are still 1,114 to be paid under P.F.A.

Mr. JOHNSTON (Bow River): By provinces?

Mr. GARDINER: That is the total.

be Mr. QUELCH: Are these still to decided upon or waiting to be paid?

Mr. PERLEY: Can the minister give the figures by provinces?

Mr. GARDINER: They are as follows:

Outstanding claims-Manitoba

Wheat Acreage Reduction-

Not yet passed-Nil.

Paid in part only-107. Estimated amount yet to be paid-\$255,917 (includes \$200,000 payable on grass and rye after July 1, 1942.)

Amount paid to date-\$4,082,134.60.

Prairie Farm Assistance-

Not yet passed—81. Passed but not yet paid—29.

Paid in part only-Nil.

Estimated amount yet to be paid-\$3,466 (includes provisions for 9 part townships under section 7 (b) now to be paid.) Amount paid to date—\$35,800.10.

Prairie Farm Income

Not yet passed—1,000. Passed but not yet paid—102. Paid in part only—Nil. Estimated amount yet to be paid—\$65,000 (includes provision for 178 late applications for which the approval of the governor in council is being sought.) Amount paid to date-\$2,952,033.35.

Outstanding claims-Saskatchewan

Wheat Acreage Reduction-

Not yet passed-516.

- Paid in part only-768. Estimated amount to be paid—\$1,487,160 (in-cludes \$1,150,000 payable on grass and rye after July 1, 1942.)
- Amount paid to date-\$18,238,755.50.

Prairie Farm Assistance-

Not yet passed—Nil. Passed but not paid—

-111.

- Paid in part only—Nil. Estimated amount yet to be paid—\$675,658 (includes provision for several doubtful townships and 96 part townships under section 7 (b) now to be paid.)

Amount paid to date-\$11,666,439.18.

[Mr. Gardiner.]

Prairie Farm Income

Particle target passed—330. Passed but not yet paid—40. Estimated amount yet to be paid—\$450,000 (includes provision for 250 late applications for which approval of the governor in council is being sought.) Amount paid to date-\$10,015,377.47.

The 250 applications referred to in the above table for which the approval of the governor in council is being sought are the group that came in late under prairie farm income, many of them due to our own difficulties rather than any fault of the individuals. We asked them to put in their applications by November 30. We made that request toward the end of October, but we had some delay in getting out the forms on which they were to make application, and I have asked council to consider the payment of these applications on the ground that we are responsible for the delay. That has not yet been assented to. The figures for Alberta follow:

Outstanding claims-Alberta

Wheat Acreage Reduction-

Not yet passed-295

- Paid in part only-650. Estimated amount yet to be paid-\$884,097 (includes \$650,000 payable on grass and rye after July 1, 1942.)
- Amount paid to date-\$9,915,620.81.

Prairie Farm Assistance-

Not yet passed—833.

- Passed but not yet paid—60. Paid in part only—Nil.
- Faid in part only-Nil. Estimated amount yet to be paid-\$196,889 (includes provision for several doubtful townships and 42 part townships under section 7 (b) now to be paid.)
- Amount paid to date-\$2,989,455.52.

Prairie Farm Income

Not yet passed-302.

Passed but not yet paid—Nil. Paid in part only—Nil.

- Estimated amount yet to be paid—\$200,000 (includes provision for 395 late applications for which approval of the governor in council is being sought.)
- Amount paid to date-\$5,142,267.70.

Mr. DOUGLAS (Queens): What is the total amount paid under wheat acreage reduction?

Mr. GARDINER: It would just about reach \$35,000,000 but not run over. All of these amounts are very close to the estimates we made at the beginning of the year.

Mr. QUELCH: The farmers have derived very great benefit from this act, but we deplore the fact that there has been so much delay in the payment of many of the claims. I realize that the responsibility for that delay does not rest entirely with the department. In many cases it has been on account of the farmer making an incomplete return or an inaccurate return. Nevertheless I feel that much of this

confusion could be cleared up if we had clear definitions under the terms of which bonuses could be paid.

I have two cases before me. The first is that of a man named Starling who had a total acreage of 1,450, of which 628 acres were under cultivation and he had 148 head of cattle. That man was classified under the definitions as a rancher, and therefore he was deprived of the bonus. Apparently he was classified as a rancher because his cattle exceeded the ratio of one head to every two acres of wheat. In a letter I received from the department this statement appears:

. . . since the act denies the prairie farm assistance payment to any farmer having a production of 3,000 bushels of wheat from a yield of eight bushels to the acre or better, it seemed only reasonable that some limitation should be placed on the income from live stock which a man might receive and still be eligible for award.

That is an entirely different matter. If a man has 3,000 bushels of wheat he has a marketable commodity. But if in a drought year, a year of serious drought, a man has cattle, in all probability they will not be in shape to sell at the end of the year. If the drought destroyed his pasture, his crop, he must receive money from somewhere or another to buy feed before he can ship that stock. The 3,000 bushels of wheat applies only where the yield is over eight bushels to the acre. Surely the same should apply in the definition of a rancher. The clause with regard to the definition of "rancher" should apply only provided the yield is over eight bushels to the acre.

Mr. GARDINER: It should not be there at all. As a matter of fact, it is not there.

Mr. QUELCH: The 3,000 bushels?

Mr. GARDINER: No; the definition of "rancher" which the hon. member is quoting. That has never been adopted. It was put out by some officials, but it was not adopted.

Mr. QUELCH: I got the definition from a gentleman sitting at the table, Mr. Stevenson.

Mr. GARDINER: Let me explain the situation. I think it is a most ridiculous thing to put out in connection with this matter, and I have said so. We have legislation; there are regulations under which we are attempting to get farmers to reduce wheat acreage, and that suggested interpretation of the regulations says that the rancher cannot be paid. It is an interpretation put out by the board. The board says that if a man has so many head of cattle in proportion to the wheat he is growing he is a rancher. We are paying him not to grow wheat at all, and then the board says that if he has so many cattle in proportion to

his wheat he is a rancher. I leave it to members from western Canada whether a man under those conditions is a rancher. I live in the central part of Saskatchewan where there are no ranchers. No one would ever call any man living there a rancher. I have not grown wheat for two years because I have been trying to carry out what I have asked others to do, and for anyone to say I am a rancher because I have fifty head of cattle and no wheat is simply ridiculous. It is so ridiculous that I need say no more, but I can guarantee hon, members without further discussion that if there is any way of preventing such an interpretation from being put on the regulation regarding rancher it will be done.

Mr. ROSS (Souris): How is the board comprised?

Mr. GARDINER: It is the board which the house insisted on having charge of the act instead of the minister. It is the prairie farm assistance board.

Mr. ROSS (Souris): What is the personnel?

Mr. GARDINER: It is a board of three. One happens to be Professor Hope; one is Mr. Murchison, of the soldier settlement board, and the other is Mr. Stevenson of my own department. I still say that the interpretation of "rancher" as written into that statement which has been read to the committee to-night is not the regulation and does not describe a rancher as we understand the term in the west or as ranchers were intended to be known when the act was drafted.

Mr. ROSS (Souris): When was the board set up?

Mr. GARDINER: The second year the act was in operation. The first year it operated without a board, and the second year this board was put in as a result of a long discussion in the house in which it was claimed that it ought to be under a board instead of under the minister.

Mr. QUELCH: I agree with the minister when he says the definition is ridiculous, but apparently it is still the definition that governs.

Mr. GARDINER: It is not the definition at all and it is not in the regulations. I hope I shall not have as much trouble in convincing the house of that as I have in convincing some of the officials, and I say this here to impress my own conviction on others.

Mr. QUELCH: Then why do people still receive letters from the department indicating that this definition governs? I have here a letter which states in part:

If it should be considered advisable to redefine a rancher in more exact terms, the best way would be to use the above definition with an additional qualifying clause requiring also a given ratio of cultivated land to grazing land. This of course would entail more administration.

Has it been decided to change that definition? Apparently it still governs the payment.

Mr. GARDINER: There is no doubt it will be changed, or a new regulation will be drafted wording it otherwise.

Mr. QUELCH: And these claims will be reconsidered in the light of the new definition?

Mr. GARDINER: The payments will be made on the basis on which they were supposed to be made in the first place.

Mr. QUELCH: There is another point which has caused a great deal of trouble, I understand, and that is the definition of the single and the double unit, so far as father and son are concerned. I have received many complaints, and I find it hard to understand exactly what does govern the department in arriving at the conclusion whether father and son are one unit or may be regarded as two. I have in mind the case of a man named McGill, who states he owns his own land. He has rented land from an insurance company and lives with his father, and it is said that he uses his father as a curtain. He gets a crop, and he is refused a bonus on the ground that it is a single unit. He points out, however, that there are many farmers around him in exactly the same circumstances who have been paid on the two-unit basis, but he is turned down. How does the department arrive at that decision, as to whether it is double or single?

Mr. GARDINER: The department depends on the decision made by the board, and that authority was given the board as a result of amendments made in the house on suggestions largely from hon. members. We are compelled by that legislation to take the board's decision in the matter. That decision is based on inspections made, and there are fathers and sons living together where the son is being paid as a farmer who is farming separately from the father. There are other fathers and sons living together where payment is not made because of the circumstances surrounding the case.

Mr. QUELCH: What would those circumstances be?

Mr. GARDINER: I would say that if the father pays the taxes and all the bills and collects all the money from the whole operation, that would be one unit whether they lived separate or together. But there are variations which might indicate that they were [Mr. Quelch.] farming the land separately. The son may be paying his own taxes, buying his own groceries, selling his own wheat and handling the whole operation in connection with the farm, and in that case the payments would be made accordingly if the ownership of the land were established, or a lease existed.

Mr. DOUGLAS (Weyburn): What would the administration cost be? The year before, there were two estimates for administration, one in the regular estimates and one in the supplementaries. Will this vote cover the whole thing, or will there be something in the supplementaries?

Mr. GARDINER: The total cost of the fiscal year was \$422,459.67; that is, the inspection and office costs and all costs of administration. That is for P.F.A.

Mr. DOUGLAS (Weyburn): Are there additional administrative costs for operating wheat acreage reduction and prairie farm income? I know the same machinery handles all three.

Mr. GARDINER: The expense is divided, but the same office handles them all.

Mr. DOUGLAS (Weyburn): What is the total cost for the machinery that handles all three?

Mr. GARDINER: The figures are as follows:

Wheat acreage reduction...\$1,484,00843Prairie farm assistance....413,22498Prairie farm income.....123,20577

The total is slightly over \$2,000,000.

Mr. DONNELLY: What is the total amount of money spent?

Mr. GARDINER: \$63,000,000.

Mr. DONNELLY: About what percentage is that?

Mr. GARDINER: About 3¹/₃ per cent.

Mr. JOHNSTON (Bow River): Is any assistance being given under this act to farmers in irrigated districts who have suffered from drought? They may be in irrigated districts, but they are not using the water.

Mr. GARDINER: Those with not more than thirty acres under irrigation who are also farming dry land have been given assistance if they happen to be in an area entitled to it.

Mr. JOHNSTON (Bow River): That works quite a hardship on a goodly number of farmers. I have one farmer who has written complaining of that. He had something like 156 acres in crop, eighty acres was irrigated. The farmers in that irrigated district are under a decided handicap, especially in view of the shortage of labour, which was not brought about by anything for which they are responsible. The government is now asking labourers to join the army, and many farm labourers are going into industry. There is therefore a shortage. It is very hard to get men. A great deal more labour is required in an irrigated district than in a non-irrigated district. When these farmers have to pay water rates, as high, I think, as a dollar an acre in some instances, the cost is very heavy. It is really an insult to those farmers to ask them to pay the one per cent on their grain toward prairie farm assistance when they have no chance whatever of getting relief under the act unless they have fewer than thirty acres irrigated. That is a rank injustice, because no matter how dry the year may be, no mat-ter how poor the crops, these people are asked to contribute their one per cent, and yet have no chance of ever receiving relief under this act. Unless the government is prepared to give assistance to these farmers on the land which is an irrigated district, they should not be asked to pay the one per cent. I do not think they should be given consideration on the land that is actually irrigated. Certainly, if they have, say 315 acres in crop as this individual had, only eighty acres of which is irrigated. and the average yield of the farm was under eleven bushels and the whole acreage of the township was under eight bushels average they should come under the act. It seems to me unreasonable, just because it happens to be an irrigated district, to expect these farmers to continue to contribute to the prairie farm assistance at the rate of one per cent with no chance of getting relief.

Mr. GARDINER: That question has been up for discussion every year I think since we have had the act, and the same reasons have been given each time. I am sorry I shall have to give the same answer. The Prairie Farm Assistance Act was enacted for the purpose of helping those living in drought areas, and who, for no reason for which they were responsible, are unable to maintain themselves from one crop year to another. We were attempting to get away from the old plan of giving out relief. I think we have succeeded, as this year has proven, which had the second poorest crop on the whole in western Canada, and when we had no relief to pay and costs under prairie farm assistance were lower than in similar years when we were paying relief. On the other hand, most of those living on irrigated land, or having a considerable part of their farm irrigated land, have already been assisted by some government. Many

Supply-Agriculture

of the irrigation projects either were in the first instance assisted by government in their construction or have been assisted at other times because of difficulties some got into. Many of them have been put there entirely at the cost of the government. That was done for exactly the same purpose as the other, in order to make it possible for people to live on their land by their own efforts, by using water provided for them through projects in the construction of which either governments or large corporations like the Canadian Pacific railway took part. I know there are some instances in Alberta where that is not true, but in the greater number that is the situation.

In addition to that, the figures given a few minutes ago indicate that \$30,000,000 has been paid out, and \$6,000,000 of it has been collected from farmers, all the farmers, whether they have drawn under it or whether they have not. This simply means that the other \$24,000,000 was collected from people who have no chance whatever of getting any payment; that is the citizens of Canada generally, because this problem is considered to be a big enough problem to be looked upon as a national one. It is just as reasonable that the man who has water provided to him because of the place in which he lives or of the activities of some other organization should contribute as the person, say in Montreal. He has much less right to be asked to assist in a project of this kind than the man who has been taken care of on the irrigated land. It is on that basis that the decision was made.

But we have gone this far. We have said to any man who has irrigated land that we will make allowance up to thirty acres. If that is all he has, we will assume that the thirty acres are not sufficient to keep him, and we will pay on the larger amount.

We have before council at the present time a proposal that this acreage should be raised, but not nearly to the figure mentioned by my hon. friend a moment ago, some eighty acres. No one has suggested that it be raised as high as that.

Mr. JOHNSTON (Bow River): I think the minister is exaggerating the point when he says that these irrigated farmers have just as much right to pay as a man in Montreal.

Mr. GARDINER: Perhaps I should have said that he has as much right to pay as the farmer in certain districts in Manitoba, such as the Dauphin district, an area that has never had a crop failure.

An hon. MEMBER: Or Portage la Prairie.

Mr. GARDINER: Yes, or Gladstone; they have never had a crop failure. I was there and met their council on this point. They asked, "Why should we pay to this thing? We have never had a crop failure and probably never will, we can never draw anything out." I simply said to them what I have said now. I asked if they did not think it was proper that they who have a crop every year should help to maintain settlement in an area which. after all, makes it worth while for them or anyone else to live where they do. I have never heard a word from them since. They accept the situation, as I think most of the farmers of western Canada accept it. If they have conditions under which they can live, they are quite prepared to assist in carrying others over from one crop to another.

Mr. JOHNSTON (Bow River): I think that is exactly the point. I am not objecting to these people having to pay the one per cent when they are able to do so. That is quite proper in connection with people living in northern Manitoba or in the Peace River district of Alberta, people who have never been dried out. They should make a contribution, but here is a case where people are being dried out. It does not make any difference where the drought occurs. If it should occur in northern Manitoba or in the Peace River district, over an area sufficiently large to qualify, then those people would be given assistance under the Prairie Farm Assistance Act; I do not think there is any doubt about that. Here is an area which does qualify, but because these people happen to be in an irrigated district they do not get anything. They have no objection to paying the one per cent, but when the township as a whole goes below eight bushels, they should certainly be entitled to assistance, no matter whether a few quarters or sections in that district escaped.

Mr. GARDINER: There would be no possibility of getting it by the government, and certainly I would not be able to get it by this house even if I attempted to do so. I have put up all the arguments the hon. member has put up in order to try to get an acreage increase, and if I have not been able to get that I am quite sure I could not get what the hon. member is suggesting.

Mr. JOHNSTON (Bow River): The Minister of Agriculture is responsible for this, but now he tells us that though there are certain things he wants done, others in his department tell him he cannot have them done.

Mr. GARDINER: No; that is not a proper way of putting it. A minister comes in and argues a point as to something for which he [Mr. Gardiner.] thinks he is responsible. He must convince fifteen other ministers, and it is perfectly proper that he should have to do so; that is the only way in which all interests in this country can be protected. I say that I have advanced all the arguments the hon. member is advancing, but that up to the moment I have not been able to convince those other ministers. I am hopeful that I may be able to do so eventually, and I hope no arguments will be advanced here that will make it more difficult for me to convince them.

Mr. JOHNSTON (Bow River): Oh, I would not want to use any arguments that would make it harder for the minister in that regard. Perhaps he should get a little tougher with these other ministers, because apparently they do not understand the situation as well as he does. I think the minister sees how unfair it is.

Mr. GARDINER: To be absolutely candid, I do not see the unfairness of the situation to which the hon. gentleman is referring. I think there should be some limit on the amount of irrigated land that a man has if a payment is to be made.

Mr. JOHNSTON (Bow River): Certainly it should be raised above the thirty bushels, and I think in one of these letters received by this farmer it was indicated that probably it would be raised to forty bushels.

Mr. GARDINER: Well, it has not been raised yet.

Mr. JOHNSTON (Bow River): It has not been, but it is high time that it should be. There is an injustice there which should be corrected as quickly as possible.

Mr. FAIR: When I was home during the Easter recess I visited the office in Edmonton and was shown around by Mr. Barrie. He went to quite some trouble to show me the whole set-up, and I noticed that he was very crowded there. Perhaps if he had a little more room he would be able to get the bonus payments out with less delay.

Mr. GARDINER: We have new quarters for him.

Mr. FAIR: I am glad to hear that. Then I was glad to hear the minister say that the rancher would be put in his proper place. I should like to see the board supplied with pinto ponies, cowboy hats and boots, in order that they might have a better appreciation of the difficulties of the ranchers. However, I am glad this matter is being straightened out.

I want to bring to the attention of the minister the case of a farmer who does some outside work. I have in mind a farmer who has a rural mail route for which he receives

4758

\$400 a year. This work requires parts of two days a week, but because he is receiving that \$400 he is not allowed the bonus. I took this matter up with the Edmonton office but was not able to make any headway, and therefore I hope the minister will be able to take some action.

Then there is the case of a father and son working together. I have some cases of this kind in which the inspector has never obtained any information from the interested parties. Apparently he has gone to some of the neighbours and has absolutely refused to take any notice of the statements made by the father and son. If these matters are not cleared up in the near future, I will write the minister or Mr. Stevenson with regard to them. I understand that the dockage is supposed to be deducted from the grain, but I understand that the inspectors did not make this allowance in arriving at the average yield.

Then I should like to know who are the treasury board members in the west, and whether they are responsible for holding up the bonus payments. In several instances I have been told by Mr. Barrie that the claim had been passed and would be paid immediately. Then perhaps two months later I hear from the farmers that they have not received their cheques, and therefore it would appear that the treasury board is responsible for holding up these payments in a number of cases. I should like to see something done to have these payments made more promptly.

Mr. GARDINER: It is not really the treasury board that has representatives out west; it is the comptroller of the treasury, who has representatives in Regina, Edmonton, and Winnipeg, who check these payments. The report which was read to us to-night by the hon. member for Qu'Appelle is one result of their activities.

Mr. JOHNSTON (Bow River): Can they hold up payments indefinitely after the board of review passes them?

Mr. GARDINER: Yes; an auditor can hold up any payment until he is satisfied that it should be made.

Item agreed to.

Special.

31. To provide for wheat acreage reduction payments; for administration expenses in connection therewith, and for temporary appointments that may be required notwithstanding anything contained in the Civil Service Act, \$5,225,000.

Mr. WRIGHT: Last year this vote amounted to \$35,000,000. Is this the estimated total for this year? Mr. GARDINER: There will be a supplementary estimate brought in this year for about \$22,950,000 to cover the actual payments.

Mr. FAIR: The saving in the wheat acreage reduction would almost pay that extra 20 cents a bushel. Therefore we shall not be much better off after all.

Mr. CASTLEDEN: I should like to ask a question with regard to the regulations. Presuming a man had a wheat acreage reduction of sixty acres but increased his summer-fallow by probably eighty acres and his coarse grains by twenty acres, I believe the means of determining what he would be entitled to was by pro-rating the increase in the summerfallow?

Mr. GARDINER: They did that last year, but there will be no pro-rating this year. We pro-rated last year because we averaged 1939 and 1940, but this year it is based on 1940 alone. We started out by saying that we were going to take an estimated acreage for 1940. When we did that we had to change our coarse grain acreage accordingly for the different years, and pro-rate that also, and the money had to be paid out on a pro-rated basis. That will not be necessary, in any event for the same reason, this year.

Mr. CASTLEDEN: Those regulations are not included in the regulations which were given the farmers in the first instance. When was that pro-rating adopted by the department, and on what authority?

Mr. GARDINER: It is right in the regulations, where it is stated that in certain cases you could not take the year 1940, that you had to go back to 1939, add the two together and average them. It was because you had to do this that it was necessary to do the same thing with the coarse grains and summer-fallow, in order to keep your ratios correct, and then the payments had to be made on that basis.

Mr. CASTLEDEN: What will be the basis this year?

Mr. GARDINER: It has nothing to do with 1939; it is only 1940, and therefore there will be no pro-rating.

Item agreed to.

Special.

32. To provide for assistance to encourage the improvement of cheese and cheese factories, \$1,950,000.

Mr. CRUICKSHANK: I should like to know the meaning of this estimate which has for its purpose the providing of assistance to encourage the improvement of cheese and

cheese factories. Rightly or wrongly, we think in British Columbia that we have been penalized for the benefit of the cheese industry in Ontario and Quebec. That may be incorrect, but it is our view, and I should like to know what the item in the estimates means.

Mr. SENN: And would the minister make a simple statement as to amount of bonus paid this year, the amount which goes to the cheese factories and what benefit the bonus has been? Has it improved the quality of the cheese?

Mr. GARDINER: Yes, it has been improved from around 40 per cent to around 60 per cent. That is payable anywhere in Canada. If the cheese produced is 93 score, one cent is paid; and if it is 94 score, two cents is paid, either in British Columbia or anywhere else in Canada.

Mr. SENN: What proportion of this goes to bonuses, and what proportion to the improvement of factories?

Mr. GARDINER: About one-tenth.

Mr. CRUICKSHANK: Is there a grant to factories, or is there a loan, or what is it?

Mr. GARDINER: A grant is made to the factories amounting to half the cost of putting in the cold storage equipment, or what is known as the curing room. Then, half goes to changing some other equipment, namely the cheese presses, or the circle in which the cheese is made.

Item agreed to.

POST OFFICE DEPARTMENT

243. Departmental administration, \$743,650.

Hon. W. P. MULOCK (Postmaster General): Before hon. members proceed to ask questions, perhaps I might shorten the debate to some extent by making a brief statement, and I do so by reason of the fact that there is a considerable increase in the estimates of this year.

Mr. MacNICOL: The minister did that last year.

Mr. MULOCK: Before entering upon the discussion of the general estimates, may I be permitted to submit some information respecting the postal service? In presenting the post office estimates for consideration in committee, I desire to say, first, that the financial requirements of the dominion in the promotion of our war effort have been given the important place they should occupy in considering the provisions to be made for the postal service during the fiscal year 1942-43.

[Mr. Cruickshank.]

It is absolutely essential to regard the prosecution of the war as our first consideration, and the responsibility rests no less on the departmental head than on the administrative officers of his department, to see that the estimates reflect only the actual needs, without, however, impairing service. Every effort has been made to keep requests for appropriations at a minimum, and at the same time provide for the essential public services demanded of this department.

The post office is primarily a service organization, the functions of which are necessarily expanding to meet rapidly growing revenue and volume of business. The mails must be moved on time, and provision must be made to that end in respect of personnel, and cost of conveyance; as well as of equipment to carry on the work.

Illustrative of the needs in this respect, may I point out that the 1941-42 gross revenue is \$55,477,159, or an increase of about \$7,500,000 as compared with 1940-41, or 15 per cent. This is double the increase 1940-41 revenue showed over 1939-40, and it gives a fair indication of the growth in the volume of mail.

In consideration of postal appropriations and expenditures it is necessary to keep in view the fact that from a national point of view the post office as a government utility neither chooses its customers nor controls the extent, time or place that the public may use or not use its service. When the demand comes it cannot be deferred but must be met at once. The post office must render service with all possible speed at the time and place and in whatever volume the public request.

As hon. members of the committee are perhaps aware, expenditures for the transportation of mail by rail, water, air and land represent nearly 46 per cent of the total outlay of the department. Salaries of personnel are almost 43 per cent, without cost-of-living bonus, and slightly over 48 per cent including that item. The remaining 6 per cent covers items such as printing and stationery, equipment and maintenance (including cost of postal equipment formerly supplied by the Department of Public Works but now purchased by the Post Office Department out of the Post Office appropriation); travelling expenses; telegrams and telephones, including the rental of telephones in staff post offices and postal district offices; sundries; publicity; the manufacture of postage stamps; money order forms and postal notes.

Reference has been made to a 15 per cent increase in revenue in the fiscal year which has closed. This, of course, results from

augmented mailing, and in turn involves additional expenditures. It might be well, however, to call attention to the fact that expenditures during the fiscal year 1941-42, when compared with those of 1940-41, show an increase of only slightly over 7 per cent, although revenues, as already stated, increased during the same period to the extent of 15 per cent.

In further reference to the department's financial position I might say that while gross revenue, as stated, increased by \$7,500,000, the net revenue—that is the amount on hand after the deductions of postmasters' commissions, including cost-of-living bonus of \$122,788.66—increased by \$5,610,505; while the net surplus, that is the amount on hand after all expenses of departmental administration had been paid, including cost-of-living bonus of \$1,039,366.94, was \$4,492,002, as compared with \$1,683,692 for the last year and \$3,235 for the year before.

These figures are indicative of the department's efforts to operate the postal service in an economical manner.

The post office is regarded as a non-war department, but a state of conflict has repercussions on postal work in no small degree. To mention but one item in the estimates; mail service by steamboat in 1942-43 must be provided for to the extent of \$1,750,000 as against a pre-war figure of \$325,000. As explained last year, this increase is on account of the fact that the Post Office Department now pays for the ocean conveyance of mails, subsidies formerly paid by Trade and Commerce, having been discontinued. Mail for Canadian troops overseas, which is constantly increasing, forms a large part of the mail carried across the Atlantic. The carriage of these mails to ports of embarkation also increases the cost of mail service by railway. In other directions as well, the present world conflict has increased the functions and responsibilities of the postal service.

The creation of various government boards and other controlling bodies has greatly augmented the volume of mail which is carried free of postage. The revenue value of this free mail is now close to \$3,000,000 per annum. There is close co-operation between the department and the foreign exchange control board in the administration of regulations promulgated by the board. It is not expedient to deal with this point at length or in detail, but I can assure the committee that valuable service is being rendered by the department in this respect. As the members of the committee are no doubt aware, under the national registration regulations of 1940 each postmaster in

Supply-Post Office

Canada is designated as a deputy registrar for the purpose of registering persons who were not registered during the period which ended on August 21, 1940. Under these regulations applications for new certificates on account of changed address, changes in marital status, and replacement of lost or defaced certificates are dealt with by postmasters.

The sale of war savings stamps is another matter which should be mentioned. During the fiscal year just closed, post offices in Canada sold almost 49,000,000 of these stamps, providing the government with over \$12,250,000 for war expenditures. I cannot too highly commend the whole-hearted cooperation which is being extended by postmasters throughout the length and breadth of this country, both officially and as private citizens, in furthering the sale of war savings certificates and war loan bonds. I should like to go even further and say that they deserve the undivided commendation of this house.

The post office has cooperated very fully with the recently created unemployment insurance commission in the organization stages of the nation-wide set-up for unemployment insurance. As the scheme took form, the department undertook to handle the distribution and sale of unemployment insurance stamps. In the period between July 1, 1941, and March 31, 1942, the department sold on behalf of the commission stamps and metered impressions to the value of \$40,000,000.

Similarly the department has cooperated closely with the various war services, particularly the munitions and supply and national war services departments, the oil controller and the wartime prices and trade board. Radio licences to the number of nearly 700,000, representing an amount in excess of \$1,500,000, were sold by post offices throughout the dominion during the fiscal year which closed on March 31, 1942. Dominion government annuity business totalling more than \$19,500,000 was handled through the same channels during the same period. For services such as the above, which are in the nature of general welfare and national policy activities, the post office is sometimes reimbursed in full to the extent previously agreed upon, sometimes in part and sometimes not at all. However, it is in the interests of the government to utilize postal facilities to assist in such activities because it permits the performance of these tasks at a minimum expense to the federal government as a whole, and the department is happy to render this cooperation. The costs of performing these services are thus kept at a minimum. However, they increase postal expenditures, and the department is unable to make as good a financial showing as it might otherwise do.

May I for a moment revert to facilities which are essentially postal in nature and call attention to the provision which has been made to meet war-time conditions. A system of personal postal messages has been introduced to facilitate the sending of brief messages between persons in Canada and relatives and friends in enemy occupied countries. An airgraph service has been inaugurated to speed up the sending of messages in the form of letters from relatives and friends in Canada to members of the armed forces in the United Kingdom. This service is being developed further, and arrangements are now being made to widen its scope to provide for airgraph messages in both directions, to and from civilians as well as military personnel.

Arrangements have been made for air letter cards by the use of which messages can be sent by air mail to prisoners of war in Germany and Italy for a fraction of the cost of an ordinary air mail letter. Reduced postage has been arranged for parcels sent to members of the British, Canadian and other allied forces abroad. Free postage has been extended to Canadian soldiers' letters mailed at army post offices in the United Kingdom and in certain other countries where our troops are stationed. In addition to the postage concessions mentioned, redirection charges on parcels addressed to the members of our forces have been waived.

In conclusion, may I assure the committee that the policy of the Post Office Department continues to be the maximum of service at a reasonable minimum of cost.

Mr. BENCE: I am sure we have listened with considerable interest to the statement just made by the Postmaster General (Mr. Mulock). In view of the lead that he has given with respect to discussing matters generally, I propose to say a few words this evening on general matters, and then discuss one particular thing with which I am concerned. First of all, may I say that I take the greatest exception to the continuation of the practice by the Post Office Department of political patronage and party politics as far as certain sections of the department are concerned. I understand that a portion of the department works through the civil service commission, and with that I have no quarrel, but other appointments that are made are purely political. Even though this is considered a peace-time department, the fact [Mr. Mulock.]

that appointments are made on a political basis harms our war effort and does irreparable harm in many cases.

It has never been my practice to make charges which I could not substantiate. People have pointed out certain instances to me where they felt sure politics were indulged in, but because there was nothing I could pick on to substantiate the charges, I never took them up. However, in connection with appointments made by the department in certain instances. I think it is admitted that political patronage is a governing factor. I know it is in connection with the temporary employees appointed at Christmas time. In Saskatoon, which is my constituency, a number of employees are appointed at Christmas time, and the appointments, subject to the qualification that ex-soldiers shall have the first right to the jobs, must be passed upon by the Liberal executive or the president of the Liberal association.

So far as rural postmasters are concerned. the Post Office Department sends a letter to the Liberal member of parliament for the constituency or the defeated Liberal candidate asking for a nomination for postmaster in the vacancy. It may be true that that practice has gone on for many years. I am not saying that it is confined to this administration. But the mere fact that it has gone on in the past is no reason why it should be continued in the future. Look at the position the people of my constituency are in when they see this kind of thing going on, and realize that one of the three defeated Liberal candidates is being asked, say, to nominate a postmaster for the town of Sutherland, in my constituency. I do not know which particular candidate they will pick. In one instance they will pick one, and in another, somebody else. What does the man on the street think about that? He naturally thinks that the same kind of thing is going on in other departments, and you simply cannot talk him out of that opinion.

I have endeavoured to explain the practice in these matters. I understand that the attitude taken by the government is that this practice is confined to peace-time departments, but when the man on the street sees that a particular individual has received an appointment, because he was nominated by the member of parliament or the defeated Liberal candidate for the constituency, and there are other people just as good and perhaps with better qualifications for the position, you cannot convince him that that kind of thing is not going on in other departments. I put that to the committee in as serious a manner as I can, because I am convinced that at a

time like this when we are calling on our people to give everything they have got to the war, sending their sons and daughters into the services and making sacrifices by way of taxation and in countless other ways we should eliminate just as much as we possibly can any question of party politics-and I do not care whether it is a war-time or a peace-time department.

There have been brought down to the house several returns which I could produce in proof of the statements I have made. I shall refer to one in particular, a return which was brought down following a motion made by me on March 11 and passed on March 27 of this year in connection with a man by the name of W. F. Hargarten who was appointed to be postmaster at Bruno, Saskatchewan. The file shows that on June 5, 1940, a letter was addressed by the hon. member for Humboldt (Mr. Fleming) to Mr. P. T. Coolican, as follows:

> Ottawa, Ontario, June 5, 1940.

Mr. P. T. Coolican, Post Office Department, Ottawa, Ontario.

Dear Mr. Coolican:

I understand that there is a vacancy in the post office at Bruno, Sask., by the death of the postmaster. Would you be good enough to furnish me with the forms that would be necessary to make a recommendation for the new postmaster.

I remain,

Yours sincerely,

Dr. H. R. Fleming, M.P.

In my remarks I am casting no reflections on any individual member of parliament at all. I am simply speaking of the practice that has grown up. What I take objection to is the continuation of the practice particularly in this time of war, and so far as I am concerned under any circumstances at all, but particularly because we are now at war. I object to any member of parliament or defeated candidate having anything to do with appointments in the Post Office Department or in any other department, particularly at a time like this.

Why do you say the Mr. McCUAIG: defeated Liberal candidate?

Mr. BENCE: Because that is the fact and the Postmaster General will not deny it.

Mr. McCUAIG: Why do you not go back a few years and say the defeated Conservative candidate?

Mr. BENCE: I do not want to get into a wrangle with the hon. member who apparently wishes to see this practice continued. I would Supply-Post Office

like to see it wiped out. I do not see why any member or defeated candidate would want to see it continued.

Mr. McCUAIG: The practice was discontinued and then brought back in 1932.

Mr. BENCE: I do not care what happened in the past. I am not interested in ancient history. I am interested in the cir-cumstances of the present. This practice creates a very bad impression in the minds of the public, particularly when we are at war and we are asked to contribute everything we can to the winning of this war. When members on the treasury benches object to criticisms on the ground that we are at war I should think they would be interested in seeing this kind of thing stopped.

In the same return I find a letter written on June 12, 1940, by Mr. P. T. Coolican as follows:

Ottawa, June 12, 1940.

Dr. H. R. Fleming, M.P., House of Commons, Ottawa, Ontario.

Dear Doctor Fleming:

In accordance with the request contained in your letter of the 5th June, I am enclosing an official nomination form on which to make your recommendation of some person suitable for appointment to the position of postmaster at

Bruno, Sask. The District Superintendent of Postal Service, Saskatoon, reports that the postmaster died on the 31st May and that the office was transferred temporarily on that date to Mr. Raymond John Fisher. A copy of Mr. Fisher's application for permanent appointment is attached.

Attached for your information is copy of a letter received from Mr. Tom Meyer, who states that he saw service in France during the last war, also a copy of a letter received from Mr. Geo. B. R. Besant of the Canadian Legion

Geo. B. K. Besant of the Canadian Legion recommending the appointment of Mr. Charles Stroklund, returned soldier. The usual notice of the vacancy has been sent to the Canadian Legion addressed to Mr. L. J. Chase, Provincial Secretary, Canadian Legion, room 4, New Canada Life building, Regina, Sask.

Yours very truly,

P. T. Coolican, Assistant Deputy Postmaster General.

Next is a letter written on September 27, 1940, addressed to Mr. P. T. Coolican:

Humboldt, Sask.,

September 27, 1940.

Mr. P. T. Coolican,

Assistant Deputy Postmaster General, Ottawa, Canada.

Dear Mr. Coolican:

Inclosed please find a nomination for post-master at Bruno, Sask. I have given very serious consideration to this appointment and after considering this situation from all angles, I find that William Frederick Hargarten is the party that I will nominate for the position.

Supply-Post Office

Mr. Hunter, the district superintendent, will no doubt send you a report. I would like, if possible, to get this post office changed at the very earliest date, because it always causes a certain amount of difficulties when it is hanging fire after the decision has been reached, and the decision has been reached on the advice of responsible parties in the district.

> I remain, Yours sincerely,

H. R. Fleming, M.P. for Humboldt.

There was enclosed with that letter a nomination form. It is a stereotyped form sent out to members of parliament and defeated Liberal candidates in the last election, although of this latter I have no proof. It sets out certain matters including the statement, "I desire to nominate" so and so.

An hon. MEMBER: How would you nominate these small postmasters?

Mr. BENCE: I will come to that later. In this case there was a recommendation from the man in charge of the postal service at Saskatoon, a man who was entirely out of politics. I say that the whole matter should be handled through the postal service department.

Mr. REID: Many appointments are made which have no relation to politics at all.

Mr. GRAYDON: That is in New Westminster.

Mr. REID: I defy my hon. friend or any other hon. member to challenge anything that is wrong with New Westminster.

Mr. BENCE: I do not know what the hon. member for New Westminster has to be so indignant about.

Mr. REID: I am not indignant. I was answering the other hon. member.

Mr. BENCE: I have the floor. The point is that on September 27, 1940, a letter was addressed by J. H. Hunter, district superintendent, to George C. Avery, with reference to this matter. I will not read the whole letter, which refers to various applicants for the position and, among others, makes mention of the man who received the appointment, William Frederick Hargarten, and another man named Fisher, who happened to be in the post office at the time of the death of the prior incumbent, and who was the acting postmaster for four months.

Mr. MULOCK: I should like to know whether the hon. member objects to the appointment of the present postmaster on any ground, or whether he thinks someone else should have had the appointment. If so, I would ask that he read the whole letter.

[Mr. Bence.]

Mr. BENCE: I will read the whole letter.

Mr. MULOCK: I should like to know the point the hon. gentleman is trying to make.

Mr. BENCE: I know nothing about the circumstances in Humboldt constituency, nor do I know anything about William Frederick Hargarten whom I have never met. I do not know any of the other applicants for the position, but, as the Postmaster General knows. this matter has received a great deal of attention and has created quite a bit of consternation in northern Saskatchewan. I was making my first objection on the ground that apparently this was the manner in which these jobs are filled, by recommendation of the sitting member or of the defeated Liberal candidate. As a matter of fact, the hon. member for Mackenzie (Mr. Nicholson) has a return which indicates that the same is true in connection with rural routes. There is no question about that.

Mr. MULOCK: I beg your pardon, not rural routes.

Mr. ROSS (Moose Jaw): That is a new one; let us have that one.

Mr. BENCE: A return was brought down in the house-

Mr. MULOCK: I would ask the hon. member to be kind enough, when he is dealing with the matter, to tell us how long this subject was under investigation before Mr. Hargarten was appointed, whether he was appointed hastily, or whether the matter was very carefully looked into and whether some considerable time had elapsed before the appointment was made.

Mr. BENCE: There was not a considerable length of time before the appointment was made, but I will say the appointment was made some time in December, 1940, and the putting into effect of it, or the order which would allow the man to take over the post office was held up until March of this year. Is that what the Postmaster General has in mind? There were representations by certain organizations in northern Saskatchewan, such as veterans' associations and so on. I do not want to discuss the merits of the appointment or of this man in particular, nor do I want to cast aspersions upon him. This matter has caused me a considerable amount of difficulty, and I know it has occasioned the Postmaster General much difficulty also. I will come to that later.

The first point I was making was that this was the continuation of a policy to which I object, and I am entitled as a member, whether I support the government or sit on the opposition side, to rise and protest on that

basis. The letter to which I refer sets out the various persons who had applied for the job. and the point I was coming to was that the district superintendent at Saskatoon seemed to think that the person in the post office at the time of the death of the prior incumbent was qualified for the position. That is the only point, and I will read the paragraph with reference to it. This man's name is Fisher. I quote:

Mr. Fisher seems to have given excellent service, both during the past years as assistant to the late postmaster, and as acting postmaster during the last four months. He is stated to be reliable in his habits. He was too young for service in the war of 1914-18, and, although the youngest of the applicants, seems likely to be the one whose appointment to the postmastership would give most general satisfaction through the district. It would be looked upon as a well merited promotion for him.

Mr. STIRLING: Was the other man a returned man?

Mr. BENCE: No. The man who was appointed was not a returned man. I think I am fair in saying that there was no returned man who was sufficiently qualified to take over the job. There was one man whom the Canadian Legion and the various veterans' organizations recommended, but he did not have sufficient educational qualifications to assume the post. The man who actually got it was William Hargarten, sixty-one years of age. That was his age when he received the appointment, and I was going to ask the Postmaster General a question about that, because I understood that the appointee had to be sixty or under to obtain the position. At any rate, I understand that that was the rule at one time.

Mr. CRUICKSHANK: What was the revenue?

Mr. BENCE: I do not know, but the salary is approximately \$2,400 a year.

Mr. MacNICOL: How could they pass up a returned soldier? According to the act as I understand it, a returned soldier should have the position. I presume that if there was not a returned soldier in the immediate vicinity there was one in some adjacent district.

Mr. BENCE: I do not know what the regulations are in the department in that respect. I am not in a position to say. I am giving the facts as I understand them, and the fact is that there was one returned soldier from the district who was recommended by the legion, but he did not have sufficient educational qualifications. I understood that it was confined to selections from the particular district. I was rather surprised when

Supply-Post Office

I read the file to find that they did not go to surrounding communities to pick a returned soldier, but apparently the practice of the department is as I have stated. However, the point I wish to make is this. The Postmaster General referred to the putting into effect of this appointment, which did not come until a year and a half or a year and a quarter after the man had been appointed to the position at Bruno. In the meantime the acting postmaster had carried on. I conducted correspondence with the Postmaster General as a result of representations made to me by veterans' organizations in Saskatoon and northern Saskatchewan. In fact, one of the first communications received by the Postmaster General was a telegram from the joint council of the Canadian Legion, the Army and Navy Veterans' Association and the Canadian Corps, and as a result of the representations made at that time the matter was held up.

Mr. MULOCK: What date was that telegram?

Mr. BENCE: The telegram is dated December 6, 1940. The purport of the telegram was that they requested that a full investigation be made by the police authorities. As I say, the matter was held up for a considerable time and investigations were made. On March 4, 1941, after this matter had been brought to my attention, I wrote a letter to the Postmaster General as a result of some complaints made to me by the veterans' joint council at Saskatoon that certain telegrams they had sent to him inquiring as to this appointment had not been answered. I referred to the telegrams and asked him if he would give me a review of the situation. He replied stating that the matter was being further investigated. I do not desire to read all these letters-

Mr. MULOCK: I have a recollection, which may be wrong, that I suggested that the hon. member should see the file and go through it himself.

Mr. BENCE: Probably I had better read the letters in order that the record will be clear. On March 4, 1941, I wrote to the Postmaster General as follows, from Ottawa: Dear Mr. Mulock,

Re: W. F. Hargarten, postmaster, Bruno, Sask. The veterans' joint council representing the Canadian Legion, the Army and Navy Veterans and the Canadian Corps association recently communicated with me with respect to this communicated with me with respect to this appointment and pointed out that although they had communicated with you by telegrams dated 6, 7 and 9, inquiring as to whether the R.C.M.P. report on this man was favourable they have as yet received no reply. I should be very much obliged if you would give me a review of the situation

give me a review of the situation.

The Postmaster General replied to me by letter dated March 8, 1941, as follows:

Dear Mr. Bence,

Re: W. F. Hargarten, Bruno, Sask. am pleased to have your inquiry, under am date of March 4, regarding the present situation in the matter of appointment of a postmaster at Bruno, Sask. Your letter seems to reflect an assumption that Mr. Hargarten has been finally appointed to this position but such is not the appointed to this position, but such is not the case. Appointment is not complete until trans-fer of the office has been made, and this, in Her of the office has been made, and this, in Mr. Hargarten's case, has been held up pending full investigation of charges by the veterans' organizations you mention that he is a nazi sympathizer. I might state that the investiga-tion has been in progress for many weeks and it is only fair to Mr. Hargarten to state that it has evolved on his behalf recommendations for has evoked on his behalf recommendations from many of the highest officials in Saskatchewan's public and church life.

public and church life. The veterans' organizations to which you refer have not been informed of the contents of the R.C.M.P. reports in this case any more than they would be in any other. R.C.M.P. reports are secret documents and it has been held long before this, by the police officials themselves, that to reveal their contents to unofficial organizations or individuals is not in the public interest. The investigation, in any case, is still proceeding. As I have stated, Mr. Hargarten's integrity

As I have stated, Mr. Hargarten's integrity and loyalty have been vouched for in the highest terms by many prominent and depen-dable people. Pending the result of further inquiries which are being made, however, the matter is in abeyance and you may depend upon it that in whatever decision is finally taken the public interest will be given first consideration.

Yours faithfully,

W. P. Mulock.

I replied to that letter by a letter dated March 15, 1941, as follows:

Dear Mr. Mulock, Re: W. F. Hargarten, Bruno, Sask.

I acknowledge receipt of your letter of the Sth instant, and note that Mr. Hargarten's integrity and loyalty have been vouched for in the highest terms by many prominent and dependable people. I also note that the veterans joint council and the various veterans' organizations which it represents have not been informed of the contents of the R.C.M.P. reports, and that it is not the intention of the government to reveal the contents of the reports to these organizations. I would like to know whether or not such reports would be medic enriched for intention be made available for inspection by myself, and if not, whether you would state that there is nothing unfavourable in them as far as this man's alleged connection with subversive organizations is concerned.

By letter of March 20, 1941, the Postmaster General replied as follows:

Dear Mr. Bence,

Re: Bruno, Sask.

I acknowledge receipt of your letter of March 15 in regard to the Bruno, Saskatchewan, post office appointment which is pending.

If you think that any useful purpose can be served I will be glad to discuss the matter fully and show you the whole file, but part of [Mr. Bence.]

it I must show you in confidence and ask you to treat it as entirely secret and for your own information. It is my desire to see that no injustice is being done in this appointment.

Injustice is being done in this appointment. I would point out that since my last letter, I have received a communication from Doctor B. W. Hargarten, Humboldt, Saskatchewan, a son of W. F. Hargarten, and chairman for the Humboldt district of the provincial campaign committee of the Canadian war services fund, advising me that he had brought this matter to the stration of Brigadian Compared A Poor to the attention of Brigadier-General A. Ross, asking him to go into the matter in the inter-ests of British justice.

If you decide it is your wish to go through the file and discuss the matter with me, please let me know and I will be glad to arrange an appointment in the near future.

I replied to that on March 29, 1941, as follows:

Dear Mr. Mulock,

I acknowledge receipt of your letter of the 20th instant which was not replied to before this due to my absence from the city.

I spent a short time in Saskatoon recently and was asked to attend a meeting of the joint council of veterans' associations representing, as you know, the Canadian Legion, Canadian Corps, the Army and Navy Veterans, and the Veterans' Security Corps, and they discussed with me their attitude in connection with this matter.

They advised me that they would be entirely satisfied if you would advise themselves or myself that the Royal Canadian Mounted Police reports were entirely favourable to this man as far as any alleged sympathy with the Germans or nazi is concerned.

Germans or nazi is concerned. As far as the second paragraph of your letter is concerned, I hesitate to accept your offer because if the file did show that there was any suggestion that this man had nazi sympathies, I would not want to be in a position of having to keep it to myself. I am sure that if you can assure me, as I have above indicated, that there is no sugges-tion of nazi sympathies in the police report.

tion of nazi sympathies in the police report, that the matter can be very quickly settled. I would make this suggestion to you, however, that is that if there is any such suggestion in the police report, then it would not be advisable for your department, or for any other department, to take a chance of appointing such a person to a place of public trust.

Subsequently, I think in March of this year, the appointment was made effective.

Mr. MacNICOL: After being vacant for two years?

Mr. BENCE: The appointment was made in December, 1940, and the postmaster was not allowed to take over the posmastership until March, 1942. A return to an order of the house dated March 11, 1942, was made on March 27. The motion was accepted without reserve. I cannot recall whether the Postmaster General was in the house at the time, but no exception was taken to filing the Royal Canadian Mounted Police reports. I felt, in view of the circumstances and the attitude and state of mind that had developed,

4766

that possibly in this case the Postmaster General would feel that the police reports should be filed, as was in fact done in connection with a return made to the hon. member for Mackenzie this year. I felt that in view of all the circumstances it would have been the policy of wisdom to have done it in this case and cleared the whole matter up. However, the reports were not filed. Further communications passed between the veterans' organizations and the Postmaster General protesting this appointment. I want to read just two pages and I shall have finished.

Mr. MULOCK: Since it is eleven o'clock, and so that there may be no misapprehension about this appointment, I wish the hon. member would be kind enough to read also the report from the Minister of Justice on it.

Mr. BENCE: I was coming to that.

Some hon. MEMBERS: Eleven o'clock.

Progress reported.

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

Monday, July 27, 1942

The house met at eleven o'clock.

BUSINESS OF THE HOUSE

PROCEDURE WITH RESPECT TO DEBATE ON HONG KONG INQUIRY

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, hon. members are aware that it had been the intention of the government if possible to proceed last week with the debate on the Hong Kong inquiry, but it was arranged at the request of the leader of the opposition (Mr. Hanson) on Friday last that the debate would stand over until to-day. The intention of the gov-ernment had been to proceed by way of a motion to adjourn the house to discuss a matter of urgent public importance, but my hon. friend the leader of the opposition feels that it would be preferable to go through the routine proceedings first, the questions and so on, and to have the debate take place on a motion that the house go into committee of supply. In the circumstances we shall proceed in that way.

Mr. HANSON (York-Sunbury): Will the Prime Minister's notice of motion be reached before that stage?

Mr. MACKENZIE KING: Yes.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

Questions

SOLDIERS' PENSIONS—CONCEALMENT OF PHYSICAL AILMENT

Mr. MAYBANK:

1. How many applicants for pension arising from disabilities in service during the present war have been refused pension upon the ground that physical ailments were concealed by them at the time of enlistment?

2. How many of them have been refused upon the grounds of wilful concealment?

Mr. MACKENZIE (Vancouver Centre): No pension has been wholly refused on the grounds that a pre-enlistment condition was concealed or wilfully concealed on enlistment; on the contrary, in accordance with the provisions of section 11 (1) (c) of the Pension Act, pension has been awarded in 388 cases for aggravation only of disabilities resulting from conditions found to have been wilfully concealed on enlistment.

WAR EXCHANGE CONSERVATION ACT-INTERNATIONAL NICKEL COMPANY

Mr. CASTLEDEN:

1. What was the amount of the special allowance which was granted for 1941 to the International Nickel Company of Canada for depreciation or depletion under the agreement made with that company under the War Exchange Conservation Act?

2. By what amount did these allowances decrease the total taxes payable to the treasury by the said company for the year 1941?

Mr. ILSLEY:

1. By the agreement made under the terms of the War Exchange Conservation Act the International Nickel Company of Canada was permitted to take a maximum of \$5,000,000 special depreciation in 1941.

2. It is not the practice of the government to disclose in answers to questions the amounts or rates of taxes paid by various taxpayers, but regardless of the rate of taxation paid by this company in 1941 it is the general practice in granting War Exchange Conservation Act agreements to assure that the profits from the expansion of any company's facilities which are made possible by an agreement are sufficient to take care of any special depreciation granted. In the case of International Nickel Company of Canada, as well as in the case of other agreements granted, the project itself and the additional production, with resulting earnings, would not have taken place unless the special depreciation had been granted. There was, therefore, no loss to the treasury in 1941.

RATIONING OF CONFECTIONERY AND SOFT DRINKS ON BASIS OF POPULATION

Mr. BLACK (Cumberland):

1. Was the allotment or percentage of rationing or curtailing the quantity of commodities such as confectioneries, soft drinks, chewing gum, etc., of towns such as Amherst, Pictou and New Glasgow, Nova Scotia, based upon present population or the population at that time of the 1941 decennial census? 2. Will allowances be made for recent in-creases in population?

Mr. ILSLEY:

1. Production of commodities, such as confectionery and soft drinks, has been limited, by the fact that sugar supplies furnished to the industry have been restricted to 70 per cent of the amount of sugar used in 1941. This restriction is based on the supply of sugar used by each industrial user and has no relation to the population, except that, if the population increases, business will presumably increase as well. Such increases in business may be provided for under special powers granted to the supervisor of rationing and the sugar administrator in section 31 of board order No. 150. Rationing by means of coupons gives every citizen of Canada an equal amount of sugar. The wartime prices and trade board has not rationed any of the commodities referred to according to towns or other geographical areas.

2. See answer to 1.

ASSISTANT GRAIN COMMISSIONERS-FARMERS' COMPLAINTS

Mr. PERLEY:

1. What were the salaries and general office expenditures of the assistant grain commissioners in (a) Alberta, (b) Saskatchewan, (c) Manitoba,

bba, (d) Ontario, during the crop year 1941-42? 2. How many complaints from farmers were received by each of the above commissioners in their respective provinces during the above mentioned crop year?

3. On how many complaints were settlements awarded and what was the total money paid for settlements affected at each office in above provinces during the crop year 1941-42?

4. What duties were performed by F. J. Rathbone of Fort William, in 1941, and how many grain shipments did he inspect in the above year?

Mr. MacKINNON (Edmonton West):

		Salarie	Gener office expendi	fice	
1.	Alberta	\$7,500			
	Saskatchewan	7,500	00	1,373	29
	Manitoba	7,500	00	942	00
	Ontario	7,500	00	990	70
2.	Alberta Saskatchewan				72
	Manitoba				
	Ontario				
3.	Settlements awarded: Alkerta—2			. \$253	97
	Settlements affected:				
	Manitoba-3			. \$50	00

4. (a) Investigations of complaints at eastern elevators on grain shipped from Fort William and Port Arthur, watching car distribution, periodic visits to terminal elevators with chief weighmaster and chief grain inspector, investigation of staff complaints at Fort William and Port Arthur.

(b) Inspection of grain shipments not part of assistant commissioner's duties.

SUGAR IN STORAGE

Mr. DIEFENBAKER:

How many pounds of sugar were in storage in Canada (both wholesale and retail) as on May 1, June 1, and July 1, in each of the years 1938 to 1942, inclusive?

Mr. MacKINNON (Edmonton West): Statistics on sugar stocks in wholesale and retail establishments are not collected. The following table shows stocks of raw and refined sugar in refining establishments. Publication of refiners' stocks has been discontinued since January 1, 1942.

Amount of Raw and Refined Sugar in Refineries-May 1, June 1 and July 1, 1938 to 1941

	Pounds	Pounds	Pounds
	May 1	June 1	July 1
1938—Raw sugar	113,941,788	144,317,344	$145,\!289,\!559$
Refined sugar	139,755,199	171,932,271	$165,\!200,\!005$
Total	253,696,987	316,249,615	310,489,564
1939—Raw sugar	62,164,436	110,834,133	134,673,901
Refined sugar	95,888,527	138,267,368	149,773,628
Total	158,052,963	249,101,501	283,447,529
1940—Raw sugar	86,427,684	104,770,235	77,027,404
Refined sugar	121,915,537	117,230,504	120,770,036
Total	208,343,221	222,000,739	197,797,440
1941—Raw sugar	77,402,035	95,596,427	159,618,127
Refined sugar	126,909,250	146,086,162	163,277,767
Total	204,311,285	241,682,589	322,895,894

4768

LIGHTHOUSE KEEPERS-SALARY AND COST-OF-LIVING BONUS

Mr. KIRK:

Has the government or the Department of Transport given consideration to (a) the matter of increasing salary of lighthouse keepers, or (b) granting to lighthouse keepers a cost-of-living bonus?

Mr. HOWE:

(a) No.

(b) They are receiving cost-of-living bonus.

BUOY CONTRACTORS—SALARY AND COST-OF-LIVING BONUS

Mr. KIRK:

Has the government or the Department of Transport given consideration to, (a) the matter of increasing salary of buoy contractors, or (b) granting to buoy contractors a cost-of-living bonus?

Mr. HOWE: (a) and (b) No. It is the practice to establish contract prices for buoy services by tender, and not to increase them without a further call. Salaries are not paid.

POSTMASTERS-COST-OF-LIVING BONUS

Mr. KIRK:

In the matter of the cost-of-living bonus now paid to postmasters, (a) how is the amount of bonus determined; (b) what is the individual net amount paid per month or per quarter to postmasters receiving salary and/or remuneration in the amounts of \$100, \$300, \$500, \$1,000, \$1,500, \$2,000 per year?

Mr. MULOCK:

(a) Five per cent of commission received on postage stamps sales only.

(b) As postmasters are paid 5 per cent of commission received on postage stamp sales only the answer to this question would depend on the percentage of the postmaster's total commissions represented by postage stamp sales.

WARTIME HOUSING LIMITED-L. SCOTT

Mr. CARDIFF:

1. Is L. Scott employed in Wartime Housing Limited?

2. Was he at any time connected with L. C. Scott Construction Company Limited or Eastern Timber Company Limited?

3. If so, what was or is his interest therein?

Mr. HOWE:

1. No.

No. Not connected with and no relation.
 Answered by No. 2.

Questions

EXCISE TAX-SOFT DRINKS

Mr. GINGUES:

What are the monthly collections for Canada of the excise tax 25 per cent on soft drinks, since commencement, 23rd May, 1941, to latest month available?

Mr. GIBSON:

	Excise Tax		
1941	collected		
June	17,385 47		
July	253,043 33		
August	947,379 66		
September	1,004,618 35		
October	762,887 82		
November	635,834 54		
December	596,671 05		
1942			
January	590,114 22		
February	596,535 28		
March	842,148 53		
April	134,292 04		
May	617,174 25		
June	682,482 67		

Total \$7,680,567 21

FORT WILLIAM AIRPORT

Mr. FRASER (Peterborough West):

1. What is the cost to date of the airport at Fort William?

2. From whom was the land purchased and at what cost?

3. What was the cost of the improvements?

4. Who were the contractors?

5. What was the total sum paid to the contractors?

Mr. HOWE:

1. \$198,852.33.

2. No record of purchase of, or payment for, land originally acquired, but it is understood the municipality of Fort William acquired this at a cost of \$40,000.

Additional land required purchased by Department of Transport as follows:-

Municipality of Neebing	\$ 500	00	
Margaret Flanagan	922	50	
Canadian National Realties	944	00	
Grand Trunk Pacific Railway.	242	40	
A. Sears	1,416	00	
Vickers Estate	5,263	70	
E. F. Noyes Estate	5,605	00	

Total for land \$54,893 60

3. \$143,958.73.

4. Tomlinson Construction Company; E. A. Bell; E. Anderson; City of Fort William; Hydro Electric Power Commission.

5. \$72,001.44.

DISPOSITION OF JAPANESE VESSELS

Mr. REID:

1. How many boats or vessels have been disposed of by the commission set up in connection with the boats or vessels owned by those of Japanese origin?

2. How many of such boats or vessels remain to be disposed of?

3. What was the total amount paid for the boats or vessels disposed of?

4. What has been the total cost of the commission since its inception?

5. What has been the total expenditures incurred for repairs made to boats or vessels damaged, including engine repairs?

Mr. MACDONALD (Kingston City):

1. To July 16th, 1,072.

2. To July 16th, 195.

3. \$958,410.24.

4. To June 30th, expenditure, \$12,505.51; less disposal charges and survey costs payable by vendors, \$11,249.34. Net cost of committee since inception to June 30th, \$1,256.17.

5. To June 30th, \$2,474.47 paid.

PRESS CENSORSHIP—CENSORSHIP OF SPEECHES IN HOUSE

Mr. CHURCH:

1. Who are the press censors in Ottawa and what experience have they for such work?

2. Who appointed them and what are their salaries and expenses?

3. Was the debate on the motion of Mr. Roy (Gaspé), on Thursday last, and the speeches of those who addressed the house on it, censored? If so, by whom, why, and under what authority, law statute or usage?

4. Whose remarks were so censored and for what reason?

Mr. THORSON:

1. The two press censors for Canada, now known as chief censor of publications, are Fulgence Charpentier and Wilfrid Eggleston.

Fulgence Charpentier has had fifteen years' experience in newspaper work including ten years as member of the parliamentary press gallery, being successively secretary, vicepresident and president of said body in 1924-25-26. Mr. Charpentier holds a B.A. degree, served with the Canadian expeditionary forces in 1918, and studied law at Osgoode Hall. He was appointed joint press censor for Canada in February, 1940.

Wilfrid Eggleston has had fifteen years newspaper experience, including nine years as member of the parliamentary press gallery, being successively secretary, vice-president and president of that body in 1932-33-34. He was appointed press censor on November 1, 1939. He became deputy press censor for Canada on February 1, 1940, and was appointed joint press censor for Canada on May 1, 1940. 2. Appointed by order in council. Fulgence Charpentier receives no salary as censor, these duties being imposed upon him in addition to those of editor of French *Journals* of the House of Commons; Wilfrid Eggleston receives \$15 a day; both receive their actual and necessary travelling expenses when absent from Ottawa in the discharge of censorship duties.

3. No. Newspaper correspondents consulted the censors about the propriety of reporting certain remarks made in the debate referred to by Mr. Roy (Gaspé) but were advised that if these remarks were to be permitted by the House of Commons to appear in *Hansard*, the censors could not refuse to pass them for publication elsewhere.

4. Answered by No. 3.

PROPOSED FURTHER DIVERSION OF WATER FROM LAKE MICHIGAN

Mr. CHURCH:

1. What action, if any, is the government taking regarding a bill which has been introduced in congress at Washington, by representative Sabath, for the further diversion of 5,000 second cubic feet of water of lake Michigan?

2. Have any representations been made by Canada to the rivers and harbors committee, or to the state department at Washington, on the subject, advising that such a diversion will by opposed by Canada?

3. Who is looking after Canada's interests in this matter?

4. What protection will be afforded to preserve the great lakes levels from further diversions in war-time?

5. Will an opportunity be afforded to discuss this matter before the adjournment of the house?

Mr. MACKENZIE KING:

1. The government is watching the progress of the Bill but is taking no action at present.

2. No. If representations were made they would be made to the United States State Department and not to the rivers and harbors committee of the House of Representatives. Representative Sabath's bill is one of many that have been introduced in recent years in congress for the purpose of authorizing increased withdrawal of water from lake Michigan. The current bill has not reached a stage in congress at which representations by the Canadian government would appear to be necessary or desirable. The State department is aware that the Canadian government would oppose an increase in the diversion of water from lake Michigan. When a similar bill was being considered by the rivers and harbors committee in 1938, Secretary of State Hull wrote to the committee chairman on March 12, 1938 as follows:

I have no doubt whatever that passage of the bill would cause a very unfavourable reaction

[Mr. Howe.]

in Canada and would lead to strong protests by the Canadian government. In the circumstances, I find it necessary in the interests of our relations with Canada, to convey an adverse opinion on the proposed bill.

3. The Department of External Affairs and the Canadian Legation in Washington.

4. Canada has a three-fold protection against increased diversion from lake Michigan: First, a United States Supreme Court decree which stands in the way of an increase; second, Canada's rights in international law; third, the common interest of Canada and the United States at all times and especially in war time in the preservation of the levels of the great lakes system.

5. In the government's view, it is neither necessary nor desirable to have a discussion of this matter before the adjournment.

GASOLINE RATIONING-MARITIME PROVINCES -BULK SHIPMENTS TO DEALERS

Mr. PURDY:

How much gasoline was shipped from bulk plants in New Brunswick to dealers in Quebec during, (a) May, (b) June, in the years 1940, 1941 and 1942?

Mr. HOWE: If I may answer this question it would be that the government has no information. It has not been the policy of the government to give quantities or movements of strategic materials.

Mr. PURDY: What about the 40 per cent?

Mr. HANSON (York-Sunbury): I think the intention of the hon. member must have been to point out the differentiation in the rationing as between the two provinces. Quantities of gasoline have been moved in from one province to another and that of course creates confusion and discontent. I believe that was the intention of the hon. member.

Mr. HOWE: Although I do not know of any case, it is possible that quantities have been moved, and they may have been moved the other way. But I do not think we can produce these figures, nor do I think it desirable, if we do obtain them, to give them to the public.

SYNTHETIC RUBBER

Mr. HATFIELD:

1. What is the estimated cost of synthetic rubber per pound processed from petroleum products?

2. What is the estimated cost of synthetic rubber per pound manufactured from alcohol produced from wheat and other grains at the Canadian market price?

Questions

Mr. HOWE: The process of making synthetic rubber is absolutely new, and has never been carried out on a large scale. Therefore estimates of cost of making the product in various ways are not available. Certain figures have been given in the United States, but they are very much at variance. I think it is quite out of the question to attempt to estimate the cost of production.

POST-WAR DISTRIBUTION OF FOODS AND MATERIALS IN WAR RAVAGES COUNTRIES

Mr. REID:

1. Has Canada participated in the discussions held between Sir Frederick Leith Ross, economic adviser to the British government and American officials regarding organizing supplies of wheat, dairy products, edible fats, coffee and other foods and materials for distribution in war ravaged countries after cessation of hostilities?

2. Is a wheat pool being established whereby 100 million bushels of wheat have been set aside for distribution after the war, (a) if so, what countries have designated their willingness to contribute and, (b) what amount of wheat is being proposed as Canada's contribution to the pool?

3. Under what agency will this wheat be distributed and, will Canada be represented on any such administrative body?

4. Under what agency will all food supplies and materials other than wheat be distributed and, will Canada be represented on any such council set up for the distribution of dairy products, edible fats and other materials?

Mr. MACKENZIE KING:

1. Sir Frederick Leith Ross will shortly be arriving in Ottawa. He will engage in discussions with Canadian government- officials on matters concerning post-war relief.

2. It has been agreed to establish a relief pool of 100 million bushels of wheat.

(a) Canada, the United Kingdom and the United States have agreed to contribute to this pool. The governments of Argentina, Australia, Canada and the United States have agreed to make further contributions to the pool when required by the international wheat council in quantities to be determined by them in consultation with the council and on such basis as may be agreed among them.

(b) 25 million bushels.

3. The international wheat council shall be responsible for the administration of the relief pool and shall, wherever possible, arrange for distribution of relief wheat through such intergovernmental relief body as may be set up and given general responsibility for the distribution of relief. The international wheat council consists of one or more delegates of each contracting government. Canada is a contracting government under the memorandum of agreement of June 27, 1942.

4. The nature and composition of such agency has not yet been determined, and is now the subject of inter-governmental consultation.

INQUIRIES WITH RESPECT TO ANSWERS TO QUESTIONS

Mr. HANSON (York-Sunbury): In view of the fact that we appear to be in the last week of the session, and that it would be desirable to have answers to the remaining questions on the order paper, may I ask that they be brought down before we adjourn?

Mr. BRUCE: In connection with the same matter I would ask to have returns to questions asked by me and appearing in *Votes* and *Proceedings* of July 20. I should like to have those answers to-day, if possible, because they relate to the subject which will be under discussion as the first order of business.

QUESTIONS PASSED AS ORDERS FOR RETURNS

NAVAL SERVICES BUREAU OF PUBLICITY AND PRESS LIAISON OFFICERS

Mr. CHURCH:

1. Has the Department of Naval Affairs a bureau of publicity and press liaison or personnel officers?

2. If so, where do they work, what are their names, salaries and other emoluments?

3. What naval experience had they before appointment and what was their last occupation and place of employment?

Mr. MACDONALD (Kingston City): On July 21 the hon. member for Broadview asked a question respecting the bureau of publicity in the Department of Naval Services. The question does not appear on the order paper to-day, but I should like to treat the question as an order for return and to table an answer at this time.

Return tabled.

R.C.N. AND R.C.N.V.R .- OFFICERS AND RATINGS

Mr. REID:

1. How many officers and ratings are in the Royal Canadian Navy?

2. How many officers and ratings are in the Royal Canadian Naval Volunteer Reserve?

3. When a man joins the Canadian navy is he placed in the naval reserve or is he placed directly in the navy, similar to a Canadian joining the army or the air force?

4. How many, (a) captains, (b) commanders, have been given these ranks in the Royal Canadian Navy since the outbreak of war?

[Mr. Mackenzie King.]

5. How many have been given similar ranks in the Royal Canadian Naval Volunteer Reserve since 1939?

6. In regard to promotions, does the seniority rule apply with respect to promotion and recognized service at sea as against land service in senior appointments?

Mr. MACDONALD (Kingston City): Return tabled.

NOVA SCOTIA FISHING INDUSTRY

Mr. GILLIS:

1. What are the names and addresses of those processing codfish, pollack, haddock and hake livers in Nova Scotia?

2. How many pounds of codfish livers did said firms buy or process during 1941 and up to June 30, or to the last reporting period in 1942?

3. What per cent of medicinal cod livers, as designated by USP standards, did each produce?

4. What per cent was crude?

5. What per cent of crude was sold to be made into medicinal?

6. What per cent was poultry grade?

7. What price was obtained for each grade? 8. What per cent of the products of each grade was exported to the United States or other points?

9. What was paid to the fishermen for the livers at Lunenburg, Halifax, Lockeport, Shelburne, Clark's Harbour, Port LaTour and Yarmouth?

10. Who were the buyers at these points?

11. What various prices were offered or paid by buyers at these points?

12. How many are buying codfish livers in Nova Scotia who do not process them?

13. What prices do these firms pay the fishermen, and what prices do they get from the processors?

14. Who in Nova Scotia are equipped to produce medicinal cod liver oil according to USP standards?

15. What is the capacity of each of such plants and at what per cent are they operating at the present?

16. What inspection or supervision is there as to condition of these livers when delivered?

17. On what basis are prices set?

18. Has any dealer or processor used pressure to prevent fishermen from selling such livers?

19. What price is paid for cod livers by (a) Lunenburg Sea Produce, (b) Lockeport Cold Storage Company, and which of these companies produce and market medicinal oil?

20. What per cent of oil from cod livers should be medicinal grade?

21. Are haddock, pollack, hake and cod livers of the same value?

22. What price was paid to fishermen selling swordfish livers at Cape Breton points during 1941, and what price did dealers get for same?

PRODUCTION OF FISH LIVER OIL IN NOVA SCOTIA

Mr. POTTIER:

1. What are the prices being paid to fishermen for cod livers, halibut livers and swordfish livers, at the following points: Westport, Freeport, Digby, Port Maitland, Yarmouth, Pubnico, Woods Harbour, Clark's Harbour, Shelburne, Lockeport, Liverpool, Lunenburg, Halifax, North Sydney, Glace Bay, and any other point or points on the island of Cape Breton where fish buyers or liver buyers maintain buying depots?

2. What are the names of the firms or individuals buying livers at Clark's Harbour, Lunenburg and Halifax? If any of these are not processors, to whom do they sell their livers?

3. What are the names of firms or individuals processing codfish or other livers in Nova Scotia?

4. What percentage of oil from said livers is medicinal grade? State percentage medicinal oil obtained by each processor? What percentage is known as crude?

5. What percentage, under modern facilities, of cod livers should be of medicinal grade?

6. What percentage of the cod liver oil produced in Nova Scotia is shipped to the United States?

7. What percentage is sold in Canada?

8. What percentage of crude cod liver oil produced in Canada is sold in the United States?

9. What percentage is sold in Canada?

10. What is the price of medicinal cod liver oil in Canada?

11. What is the price of medicinal cod liver oil in the United States?

12. What is the price of crude cod liver oil in Canada and the United States?

13. Has the government made any effort under pure food regulations or otherwise, to improve the quality of cod livers landed at ports where there is a cash market for same?

14. Has the department any knowledge of fresh fish buyers or buyers of cod livers intimating that, unless they got the fish they would not buy the livers? If so, have they taken any steps to protect the fishermen?

15. How many buyers are there in Lunenburg? What is the price being paid per bucket of 25 pounds?

16. What price was paid fishermen at Cape Breton for swordfish livers in 1941, per pound, where were these livers sold by the parties buying them from the fishermen and at what price did they obtain by the pound?

MILITARY SERVICE—INSTRUCTIONS TO REPORT— EXEMPTIONS

Mr. CASSELMAN:

1. What age classes have actually been instructed to report for, (a) medical examination, (b) training or service, to July 15, 1942, in each of the 13 military districts under the National Resources Mobilization Act?

2. How many have been instructed to report for (a) medical examinations, (b) training or service, in each age class by districts?

3. How many exemptions have been granted in each age class by districts?

JAPANESE NATIONALS-BRITISH COLUMBIA

Mr. REID:

1. How many requests for the use of Japanese labour have been made to the British Columbia security commission by companies or firms in British Columbia?

44561-301

2. Have any such requests been granted to persons, companies or firms whose place or places of business are within the prohibited military area of British Columbia?

Motions for Papers

3. How many persons of Japanese nationality or origin are at present employed in the greater Vancouver area, including the district of New Westminster?

4. Were permits given by the British Columbia security commission for the employment of persons of Japanese nationality or origin within the two above named districts and, if so, what are the names of the firms or companies employing such persons of Japanese nationality?

5. Is the curfew law still in effect for those of Japanese origin or nationality in the greater area of Vancouver and the district of New Westminster?

MOTIONS FOR PAPERS

SOLDIER SETTLEMENT BOARD-EXPENSE ACCOUNTS OF FIELD SUPERVISORS

Mr. CARDIFF:

For a copy of the itemized expense accounts of the field supervisors, J. H. Hoyt, W. B. Nixon and J. E. Phinney, Saint John district, Soldier Settlement Board of Canada, for the year 1941?

CORRESPONDENCE BETWEEN LIEUT.-COLONEL ALAN COCKERAM AND THE PRIME MINISTER

Mr. STOKES:

For a copy of all letters or other documents dated since July 1, 1942, exchanged between Lieut.-Colonel Alan Cockeram, D.S.O., E.D., and the Prime Minister of Canada.

Mr. MACKENZIE KING: Mr. Speaker, I should like to draw the attention of the house to something which is rather novel in procedure. Certain gentlemen outside of parliament who for reasons of their own wish to have attention drawn to certain matters write letters-at least some of them do-to the Prime Minister, and then seek to have those letters tabled so that publicity may be given to them, regardless of what they may contain, before there is any debate or discussion on the subject. For my part I propose to be very carefully advised as to whether certain documents should be tabled. We have had one experience of an effort to have communications tabled which contained statements for the reliability and accuracy of which I should not have wished to be responsible, or for even the publicity of which I should have wished to take responsibility. I do not intend therefore to permit a precedent of tabling letters which are sent to me, not so much, if I may say so, for the purpose, in some cases at least, of simply tabling material in the public interest, as of having publicity given to the statements which they contain regardless of how accurate or inaccurate the statements may be.

The letter referred to is one which was sent to me, but which also carried the intimation that the leader of the opposition had been furnished with a copy of it. To me it is quite clear that the purpose is to have the communication tabled at this stage in order to serve some ends of publicity which, for my part, I do not think are warranted in existing circumstances. Therefore I would not wish to agree to the tabling of the communication.

Mr. HANSON (York-Sunbury): It is the inalienable right of every citizen to write a letter to the Prime Minister, as was done in this instance. It is a public document the minute it is deposited in the mail, because it is written to the Prime Minister in his capacity as Prime Minister. Therefore if any hon. member desires to ask for its production in the house he has the right to do so, and I do not think the Prime Minister is on sound ground when he takes the position which he has taken this morning. It is a public document, and the public are entitled to see it.

Mr. MACKENZIE KING: May I say to my hon. friend that the Prime Minister has a very great responsibility with respect to documents he tables. I have had some communications slandering my hon, friend in the most violent way.

Mr. HANSON (York-Sunbury): I have no doubt about that.

Mr. MACKENZIE KING: And I do not intend, unless the house so orders, to have those letters tabled here. Someone who has a grievance against some other person writes to the Prime Minister, and then seeks to have world-wide publicity for something which may be wholly libellous. I am going to take the responsibility of making sure—

Mr. HANSON (York-Sunbury): Nothing like that in this.

Mr. MACKENZIE KING: —that, before they are tabled, communications which come to me are communications which should properly be tabled. If my hon, friend thinks this particular communication—and this may not be the only one; there may be others is one with which the country should be acquainted, then he may take the responsibility for the statements it contains, and use them in the course of debate at the right time.

Mr. MACKENZIE (Vancouver Centre): I do not know that it is a public document anyway.

Mr. MACKENZIE KING: I certainly stand by the position I have taken already and will not assume responsibility for tabling any or every communication that comes to me from outside sources.

[Mr. Mackenzie King.]

BUSINESS OF THE HOUSE

MOTION TO ADJOURN TO JANUARY 27, 1943, ON COMPLETION OF CURRENT BUSINESS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That when this house adjourns on completion of current business of the session it stand adjourned unitil January 27, 1943, provided always that if it appears to the satisfaction of Mr. Speaker, after consultation with His Majesty's government, that the public interest requires that the house should meet at an earlier time during the adjournment, Mr. Speaker may give notice that he is so satisfied, and thereupon the house shall meet at the time stated in such notice, and shall transact its business as if it had been duly adjourned to that time.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I am not dissenting from the motion, but I should like to make this observation. January 27 is exactly six months from to-day. We have had a very long session, and doubtless hon. members are of the mind that it is time we departed from this place, especially as I think a tremendous amount of time has been wasted in the needless debate of political matters. I am not objecting to the great length of the adjournment, but I should like to suggest to the right hon. gentleman that if in our opinion the condition of affairs is such that we think there should be an earlier resumption of parliament, he should give full consideration to such representations as we may make in that regard, and, if possible, accede to them. In the course of the next six months there may arise very important circumstances which would demand the immediate resumption of parliamentary discussion.

Mr. MACKENZIE KING: The suggestion of my hon, friend is a reasonable one; indeed it is something I have had in mind all along. I can hardly imagine a situation in which the leader of the opposition (Mr. Hanson) would consider the calling of parliament warranted where I myself would not be likely to entertain a similar view. However, the government has the responsibility of calling the members together either at a definite or some other date, and will have to act, of course, in the light of that responsibility.

With regard to the length of time that parliament has been sitting in the course of the year, it is much longer than the parliament of Westminster has taken, so that perhaps we are erring on the safe side in the motion as it appears.

Motion agreed to.

"O CANADA"

REQUEST FOR STATEMENT IN ANSWER TO QUESTION AS TO STATUS

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): May I remind the Prime Minister that on July 8, replying to a question in connection with the status of the national hymn or anthem "O Canada," he said that a statement would be made shortly. Certain bodies are asking about this, and I should like to know if we may have the statement before we adjourn.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Perhaps I might answer my hon. friend at once. As the hon. member has said, there are certain bodies that wish to get an answer to the question as to whether or not the status of "O Canada" should be established at this time. May I say that there are times and seasons for the discussion of all matters, and I should think that at this time of war when there are other more important questions with which parliament has to deal that we might well continue to follow what has become the custom in Canada in recent years of regarding "God Save the King" and "O Canada" each as national anthems and entitled to similar recognition. That is the position which the government takes and I think it is one which will be generally approved by the country.

Mr. BRUCE: What about "The Maple Leaf Forever"?

Mr. MACKENZIE KING: "The Maple Leaf Forever" in some respects is a little out of date, but if my hon. friend would like to add it on occasions to the other two I am sure there will be no objection.

TAXATION

EXCESS PROFITS AND INCOME TAXES-OVERLAPPING OF JULY AND AUGUST PAYMENTS

On the orders of the day:

Mr. N. J. M. LOCKHART (Lincoln): Would the Minister of Finance give some answer as soon as possible to the question I asked about the overlapping of July and August payments of excess profits and income taxes? I have had a number of inquiries in this connection.

Hon. J. L. ILSLEY (Minister of Finance): I shall make a statement when the Excess Profits Tax Act is under discussion.

44561-3013

Hong Kong Inquiry MILITARY SERVICE

NOTICES TO REPORT—PROCEDURE IN ADVICES TO NATIONAL WAR SERVICES DEPARTMENT OF ENLISTMENTS

On the orders of the day:

Mr. J. R. MacNICOL (Davenport): May I ask the Minister of National Defence for Naval Services if, when a list of those who went down with the *Spikenard* was ascertained, notice was sent to the Department of National Defence or the Department of National War Services so that the hearts of the parents of those presumed to be dead would not be racked again by having their sons called up for active service? I have a letter in connection with one young man, Samuel C. Walker, 117 Lappin avenue, Toronto, who was reported to have died when the *Spikenard* sank and last week his parents received a notice that this young man was called up.

Hon. ANGUS L. MACDONALD (Minister of National Defence for Naval Services): I cannot answer my hon. friend definitely on his question whether notification is sent to the Department of National War Services, but I shall find out and give him an answer to-morrow.

Mr. GORDON GRAYDON (Peel): Following the question asked by the hon. member for Davenport I should like to ask the Minister of National Defence if there is any procedure adopted by the department with respect to notifying the Department of National War Services when a man has enlisted. Instances such as the one brought to the attention of the house by the hon. member for Davenport are prevalent throughout the country. Boys have enlisted, some being overseas, and then notices are received that they should report. I have heard of two instances where the boys were killed on active service and notices to report were received at their homes. Is there not some procedure which could be adopted by which this kind of thing could be eliminated? It is causing considerable distress.

Hon. J. L. RALSTON (Minister of National Defence): I understand that there is such a procedure. That is all I can say to my hon. friend. He has called attention to it very particularly, and I shall certainly ask about it.

SUPPLY

HONG KONG INQUIRY—AMENDMENT OF MR. GREEN TO MOTION FOR COMMITTEE

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee of supply.

Hong Kong Inquiry

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, about seven months ago, on Christmas day to be exact, at Hong Kong, many thousands of miles away from their homeland, a small force of Canadian troops, numbering in all 1,985, after fighting beside the troops of Great Britain and India, were finally forced to surrender. We have had as yet few details of that engagement, but we know that they fought gallantly. We know too that they fought against overwhelming odds, that they fought without air support, and that they fought under other terrible handicaps. At the commencement of my remarks to-day I should like to say something in which I believe every hon. member will join. I wish to praise those men for the gallant stand they made, and to say further that their loved ones in Canada may well be proud of the part they played in the battle for freedom. Let us not overlook that fact.

To-day it is our duty to discuss the report of a commissioner appointed to inquire into the organization, authorization and dispatch of these Canadian troops to Hong Kong—a commissioner appointed pursuant to a request made by my leader, the leader of the opposition (Mr. Hanson), for a parliamentary investigation. His request was not granted in that form, but a commissioner was appointed to inquire into the whole situation, and reported early in June, just about seven weeks ago

In fairness to those of us who have to discuss this report to-day I think it should be made clear that we have only the report itself on which to base our remarks. The report proper is a short one of about five-anda-half pages, with an appendix of fifty pages. This appendix contains certain extracts from the evidence, but does not contain all the evidence; and furthermore it contains in certain cases extracts from cables-not whole cables, but merely extracts. It consists in part of a discussion of the evidence and of arguments, and I think one may say without fear of contradiction that the appendix is really drawn to justify the report of the commissioner. So that to-day, Mr. Speaker, there cannot be a proper and adequate debate, and we are further limited by the secrecy imposed by the commissioner. But some day there will be a free and full discussion, and Canadians will learn the whole story of this expedition.

In the meantime I propose to discuss the report and appendix from the point of view of what lessons can be learned therefrom by the government and by parliament and by the Canadian people, believing, and sincerely [Mr. Ilsley.] believing that thereby I may help to prevent a similar or even greater tragedy and may help in increasing the efficiency of the Canadian army.

First of all, the report shows a dangerous lack of understanding of the Japanese and of the actual situation in the Pacific by the war committee of the cabinet, of which the Prime Minister (Mr. Mackenzie King) is chairman, by defence headquarters, and by the Department of External Affairs, of which the Prime Minister is also head; because obviously from this report each one of those bodies believed that the Japanese would not fight, believed that the Japanese could be overawed by a show of force, believed that the Hong Kong Canadian force was going out to do garrison duty such as the battalions which composed that force had done in Newfoundland and in the West Indies.

I would refer the members of the house to page 15 of the report in support of these contentions, where I quote from evidence given by the Minister of National Defence for Naval Services (Mr. Macdonald) when he used these words:

We knew that a good deal of stress was laid in all dealings with Japan on the element of a show of strength—

That belief may or may not be justified in the case of native tribes, although even with them I think it is out of date. But certainly it did not apply in the case of a first-class power like Japan.

Then, at page 4 of the report, we find the attitude of the war committee of the cabinet given in these words:

The moral effect of the expedition might operate as a sensible influence for the preservation of peace there.

In other words, the war committee of the cabinet thought that they could bluff Japan. Well, may I point out to the members that in the last few years there has been far more bluffing by Japan in her relations with Canada than there has been successful bluffing of Japan by Canada.

Then General Crerar, who was chief of staff at the time, gave his opinion, found at page 20 of the report. It is contained in paragraph 10 of his recommendation to the Minister of National Defence (Mr. Ralston), when this proposal to send a force to Hong Kong was first considered officially. That paragraph reads as follows:

As you know, these units returned not long ago from duty in Newfoundland and the West Indies respectively. The duties which they there carried out were not in many respects unlike the task which awaits the units to be sent to Hong Kong. The experience they have had will therefore be of no small value to them in their new role.

4776

And the commissioner shows himself to be of the same frame of mind at page 38 of the report where he says, referring to the men from the Midland regiment who were added to this force prior to its departure:

It is true that after April, 1941, the Midland regiment was engaged in defence duties within Canada which interfered with the regular course of their training. At the same time, as I have already indicated, the assumption of coast defence and other duties had peculiar value in developing in the individual soldier the special qualities required for the type of task that they might be expected to perform in Hong Kong.

But what was the actual situation in September of last year? Japan had been fighting on the continent of Asia for nearly ten years. She had an army well led and skilful, and made up of tough and ruthless soldiers, perhaps the most savage killers in any army in the world. They had conquered Manchuria, large portions of China, including Shanghai and Canton, which is near Hong Kong. They had occupied French Indo-China, and obviously the only uncertainty about war between Great Britain and Japan was as to the time it would begin.

The war committee of the cabinet and defence headquarters and the Department of External Affairs should have known that war with Japan was imminent. That fact was well known on Canada's Pacific coast. Out there we had been warned time and again, by Canadians and Britishers returned from the far east, that war was coming. It was so well known, in fact, that when we learned that the destination of these Canadian lads was Hong Kong, we shuddered at the deadly risks they ran, and we prayed that they were well trained and well equipped and that this would not be another case of bungling by the higher-ups.

May I point out to hon. members of the house that the people on Canada's Pacific coast have been right all through about Japan. They have been right about the keeping out of Japanese from Canada. They have been right about prohibiting the shipment of scrap metal from Canada to Japan. I pointed out to this house in 1939 that a year or two before, I had seen with my own eyes an old Canadian destroyer, His Majesty's Canadian Ship Vancouver, broken up into scrap steel and scrap iron for shipment to Japan, and I protested against that on May 12, 1939. But we got no action by the government. Canadians on the Pacific coast were also right about the possibility of the invasion of Canada by the Japanese by way of the Aleutians and the mainland of Alaska—and let the government not forget that that danger still exists. We were right about the risks which these men were running in going to Hong Kong. But

Hong Kong Inquiry

here in Ottawa, three thousand miles away from the Pacific ocean, members of the war committee were too busy with their departments to pay the proper attention to these affairs which really mattered; the defence department was too negligent, and the Department of External Affairs was ill-informed or too busy with its appeasement policies to realize the peril.

The report reflects little credit on any one of these bodies. Particularly damning is their failure to appreciate the effect of the change of government in Japan on October 16, 1941. On that day Matsuoka left office and Tojo became premier. Tojo had been for years violently pro-axis. Each of these three bodies I have mentioned should have made it their business at once to find out whether war was likely to follow from the change. The United States knew that the answer was "yes." That will be found at page 16 of the report, which reads as follows:

Mr. Drew urged that from the report of Mr. Justice Roberts touching the occurrences at Pearl Harbour, it is evident the American government in October had in its possession information pointing unequivocally to an early outbreak of hostilities with Japan, and he argued that such information ought to have been in the possession of the Canadian government. The evidence establishes in point of fact that the Canadian government had no such information.

Now we have a joint defence board, with members from the two countries, the United States and Canada. Surely one would have expected that the Canadian representatives would have found out what the Americans knew, through this joint defence board. Apparently they did not. Many Canadian newspapers knew that war was about to break, and the man in the street in Vancouver knew that war was coming upon that change of premiers in Japan. Yet these three groups the war committee, defence headquarters, and the Department of External Affairs—did not, and we find their attitude stated at page 17 of the report, as follows:

It was known that Tojo was sympathetic with the axis powers and there was an impression—

I repeat that word "impression."

-there was an impression in Ottawa that his accession to power might increase the risk of war in the Pacific. However, shortly after the Japanese cabinet change information reached Ottawa to the effect that the Japanese policy of maintaining peace in the Pacific was likely to be maintained. This view was confirmed on October 26, the day before the expedition sailed, in the message from Canadian military headquarters in London already quoted. These expectations were falsified by the events of December, but the messages would tend to quiet any apprehension that might have arisen. By the way, this cable from Canadian military headquarters in London is one of the cables from which we have only one sentence, the sentence reading:

Consensus opinion that war in far east unlikely at present.

I demand of the Prime Minister that the whole of that cable be tabled, because I doubt very much whether the rest of the cable will bear out in full the meaning which might be taken from the one sentence.

Therefore it is quite apparent that the authorities in Ottawa were easily lulled into a sense of security on this question of war with Japan, despite the change in the Japanese government on October 16, and the excuse which is given is the same old stock excuse, that the British did not tell us—blaming it on the British government. Actually the British must have known that that change meant war, and I ask the Prime Minister to tell this house whether he too did not know the change in all probability meant war.

I repeat, the report shows a lack of understanding by the war committee, by defence headquarters, and by the Department of External Affairs. I suggest by way of remedy that there be far less departmental and administrative work for the members of the war committee. Their work as a war committee is the most important work in Canada to-day, and they should not be hampered by having to spend so much time on their departments. I suggest also that there should be some sort of foreign affairs section set up in defence headquarters. I assume that that would be an expansion of the intelligence section, but no matter how it is done, Canada should have a defence headquarters that knows what is going on beyond the boundaries of Canada. As for the Department of External Affairs, I suggest that a few hardboiled realists should be added to the staff, which now consists largely of well-trained and highly intelligent young men, but perhaps a little too theoretical.

The second lesson which should be learned from this report is that Canada must think for herself. Some official body here, the war committee or defence headquarters, should have studied the situation at Hong Kong. They should have known that our troops there would have no air support, that the island was crowded with hundreds of thousands of civilians, many of them refugees. They should have known the difficulties about water, and should have considered whether it was sensible and reasonable to send more troops into Hong Kong. Apparently that was not done. I quote from page 14 of the report, [Mr. Green.] where the Minister of National Defence for Air (Mr. Power) who was at that time acting Minister of National Defence, says:

And I do not think there was ever any question really or any discussion as between General Crerar and myself as to any reason why we should not take it on.

That is, the expedition.

It struck me as being the only thing to do, and I suppose it struck General Crerar that way too; at least I took it for granted that it did.

At this stage I would like to pay tribute to the government for one of the grounds on which they decided to send the expedition, and that was that they thought it was Canada's turn to do some fighting. I have no quarrel whatever with that. My point is that the whole situation at Hong Kong should have been reviewed by some body here in Ottawa. If that had been done they would have known the grave risks which these men were running and they would at least have taken care that the force left the shores of Canada with its full equipment and composed of men who had received the maximum of training which could be given in Canada. Instead of that we find that this unfortunate Hong Kong force was treated as in the same category as a garrison being sent to Newfoundland or the West Indies. The arrangements were not even carried through by the senior officials in the Department of National Defence; they were left to directors in the different branches of that department.

We must not depend on others, we must not depend on Great Britain or on the United States to do our thinking for us. Canada must think for herself and form her own opinions and express them. It is so important on questions having to do with the conduct of the war, and it will be even more important on questions having to do with the peace settlement. Let us not forget that fact, that Canada must think these things through herself. Unfortunately we not only did not think for ourselves on this Hong Kong situation, but when tragedy occurred there was a very subtle placing of the blame on Great Britain.

Then the report clearly shows the necessity for giving Canadian troops complete battle training in Canada. The policy has been to give preliminary training here and then finally real battle training in Great Britain. That was done in the last war—in fact it is a hangover from the last war—and may fairly be described as a 1914-18 policy; and despite Hong Kong that policy is still in force.

In the publication "Canada at War" for July, at the bottom of page 9 in the paragraph headed "Ready for Battle Drill," I find this:

At the end of four months, the trained infantryman is ready to go overseas. Highly

educated in modern warfare, he is an individual fighting machine, a potential shock-trooper and commando. Overseas his training is polished up under conditions as near to actual combat as can be simulated.

Obviously that is not adequate. That policy is useless for training troops who have to cross the Pacific. They cannot be sent to Great Britain to get battle training; they must get it on this continent. It is useless for troops who have to go to Alaska, useless for troops defending the coasts of the maritime provinces or of British Columbia, useless for troops who go to Newfoundland or the West Indies. Those troops are entitled to complete battle training just as the troops in Great Britain receive such training. The result of the policy for the Hong Kong force was that, without battle training themselves, they were sent to face seasoned Japanese troops trained in actual warfare over a period of years, and, as I said earlier in my remarks, the most savage killers loose in the world to-day. It was a case of the amateur against the professional. Our troops had not a chance from the minute they left the shores of Canada.

Mr. HANSON (York-Sunbury): And they were not acclimatized.

Mr. GREEN: As my leader says, they were not acclimatized. They knew themselves that they were not properly trained. Some said so while waiting to embark in Vancouver. That was what they told friends who came to see them off. These troops left the shores of Canada with a feeling of uneasiness about their training. They felt that they had not been given a proper chance to take care of themselves in the battles that might ensue.

The facts with regard to their training will be found on pages 26 to 32 of the report. I do not propose to read extracts. If anyone questions the facts as I give them he will find my statements confirmed on the pages I have indicated. I propose to deal only with the men who had been with the two units, the Royal Rifles of Canada and the Winnipeg Grenadiers, as distinguished from the men who were added to their ranks just before they left for overseas. Perhaps it should be pointed out that about one-quarter of the men who went to Hong Kong were in the latter group, who had been added only in the last few days or weeks.

First of all, what do we find the training to have been with regard to the use of rifles? The Royal Rifles had been firing on the ranges. The Winnipeg Grenadiers did some firing in the short time after they were warned for Hong Kong. The report states that 600 of them did some firing on the ranges just

Hong Kong Inquiry

before leaving—certainly not adequate training for the men in that unit.

Then as regards the Bren gun, of which there are fifty to a unit. The Royal Rifles had fired their Bren guns, but the Winnipeg Grenadiers had not before they left Canada.

As to anti-aircraft machine guns, I can find no reference to the training of the Royal Rifles with that weapon, but the Winnipeg Grenadiers had had no training whatever. Yet they were sent to Hong Kong where there was no air support and where training in the handling of anti-aircraft machine guns would have been of the utmost help.

As regards grenades, that is to say, bombs, the Royal Rifles had practised with dummies, but neither battalion had had any practice with live bombs. The Grenadiers had not even had a dummy bomb before they left Canada. As members who served in the last war know, throwing a bomb is quite different from throwing a baseball. Like the cricket ball, the bomb is thrown with an overhand motion, and Canadians must be carefully trained before they are capable of using bombs effectively.

Next, as to tommy guns, of which there are 42 to a battalion, neither battalion had fired these guns before they left Canada, and they had had only a few to inspect and study.

As to anti-tank rifles, neither battalion had fired them. The Royal Rifles had had no training whatever in the use of this weapon, and the Grenadiers had had four to look at, but with no ammunition; both battalions left Canada without taking any anti-tank rifles with them, presumably because there were none.

As regards two-inch mortars, neither battalion had fired them. The Royal Rifles had had one for purposes of instruction for a period of a month, but the Grenadiers had had none.

Neither battalion had fired any three-inch mortars, although both had studied them. The three-inch mortar is used in much the same way as a piece of artillery and requires different training and different handling. It was vital that these men should have had training with these weapons.

It all adds up to this fact, that these units obviously were only part trained, and the 436 men who were added to the strength of the battalions had had even less training. The particulars of their training will be found at pages 37 to 42 of the report. None of the force had had any real battle training.

The excuse in the report for this sending of untrained men from Canada is, first of all, that they were as well trained as any units in the dominion. We find that at page 27, in the evidence of Lieutenant-Colonel Sparling, where he was asked:

Q. Does that properly describe the situation as regard these two battalions?—A. Yes. In my opinion those two were up to the standard of the other units in the country.

of the other units in the country. Q. As well trained as any other unit?— A. Yes.

At page 33 the commissioner adopts this evidence when he says:

In speaking of the two battalions in question in comparison with other battalions in Canada in September, 1941, Colonel Sparling said that, from an examination of the training reports, they were the equal of any other unit.

In other words, there were no units in Canada at that time with real battle training, in spite of the fact that Canada had been at war for over two years. That calls for drastic changes to be made without further delay.

The second excuse given by the commissioner is that the troops had time to get, and probably did get, all the rest of their training during the three weeks they were on a crowded ship and the three weeks after they landed. They left Canada on October 27, reached Hong Kong on November 16, and three weeks later, on December 8, the Japanese attack started. General Stuart, the present chief of staff, gave evidence on that point, and I submit to hon. members that his evidence can only be described as fantastic: He was questioned:

Q. Then your opinion is, from what you have said, that any weapon training or anything of that sort that these units may have been short in as laid down in the books, could have been made up prior to the 8th December?—A. I not only think it, I know it.

That appears at page 33, and it shows a smugness which is not good enough if Canada is to build up an efficient army. And the commissioner adopts this evidence, at page 46, where we find these words:

. . . General Crerar's conclusion is justified that on the 8th of December the expeditionary force was in fact fit to meet an attacking force in superior numbers.

And may I point out that these gentlemen who gave evidence really were on trial before this commissioner, yet their opinion evidence was accepted by the commissioner and cited as fact. Further down on page 46 there enters a note of tragedy, a message dealing with Brigadier Lawson, whose life was sacrificed at Hong Kong. The report states:

Before leaving Ottawa, Brigadier Lawson asked for information upon weapons in which the two battalions were not practised so that he could make arrangements for training in those weapons on shipboard.

[Mr. Green.]

I point out these statements to hon. members who served in the last war, and ask whether they think there was the slightest possibility of those troops getting training in those weapons during the three weeks they were on the ship and the three weeks after they reached Hong Kong, when they had to get established and look after all the odds and ends that must be attended to upon arrival. Unfortunately this excuse is wishful thinking.

So I repeat, the report clearly shows the necessity of giving Canadian troops complete battle training in Canada, and I suggest that the emphasis should be placed upon commando training for all our troops here. And why can we not have the most modern types of troops, as for example paratroops? That question has been raised time and again in this house, but there has been delay after delay. I do not know whether or not they are being trained now, but I cannot understand why there should have been such a long delay. Some day, perhaps sooner, than we expect, Canadian troops must meet other seasoned Japanese troops; let us make sure that when that time comes they will meet the enemy on equal terms.

Before proceeding further, Mr. Speaker, I should like to advise you that I propose to move an amendment to the motion to go into supply, in the following words:

That all the words after "that" be struck out and the following substituted therefor:

this house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed reveals convincing proof of incapacity on the part of the responsible military authorities and demonstrates the immediate and urgent need for a comprehensive reorganization of the Department of National Defence.

The fourth lesson to be learned is this. The report shows that there was careless, haphazard work at defence headquarters. I would refer hon. members to section VII of the report, which begins at page 50 and continues to the end, dealing with mechanical transport. It was decided, after consultation with the British government, who in turn consulted with the general officer commanding at Hong Kong, that the transport to be sent to Hong Kong with this force should consist of 212 vehicles. The list is given at page 50, but I need not repeat it here. Further the British government made this request, also found at page 50:

On October 11, Canadian military headquarters in London cabled details of the equipment and transport to be provided. The cable asked that, in order to effect economy in time and shipping, as much as possible of the weapons, transport and ammunition should be taken with the troops.

The ship upon which these men were to sail was the Awatea. She was scheduled to sail on October 27, and there was from 10,000 to 20,000 cubic feet of hold space available for the carriage of some of this transport. It was finally decided to take a total of 20 vehicles, comprising two water tanks, six universal carriers and twelve fifteen-cwt. universal carriers and twelve fifteen-cwt. trucks. Those vehicles would have been sufficient to carry the weapons of these troops, but the Awatea sailed on October 27 without them. Three freight cars containing the bulk of this transport arrived in Vancouver the following morning; the fourth car arrived on October 29. There is on doubt that the ship could have been held, had there been proper supervision either from Ottawa or in Vancouver. There is another note of tragedy in this connection, again concerning Brigadier Lawson, which appears at page 52 of the report, where the commissioner says:

In a letter dated November 15, 1941, written on shipboard, Brigadier Lawson complains that "despite my repeated representations at national defence headquarters regarding the necessity for at least a proportion of our transport to accompany us, none of the M.T. (mechanical transport) had apparently arrived at Vancouver by October 27, and it was, therefore, necessary to sail without it, though there were two holds practically empty".

Some attempt is made in the report to excuse this failure. The first is that perhaps all the vehicles could not have been loaded. At page 60 the commissioner says that he does not accept the evidence of Mr. P. B. Cooke, of Vancouver, the general manager of the Canadian-Australian line, to which this ship belonged, and who knows the ship well. He does not accept Mr. Cooke's evidence that it would have been a simple matter to load these twenty vehicles. Instead, he accepts the evidence of Mr. Lockwood, the transport controller, who had never seen the ship and who, like the general staff officers, was in some danger of censure by the commissioner. He accepts Mr. Lockwood's evidence to the effect that only fifteen of these vehicles could have been loaded. Another excuse given is that probably the men in Hong Kong suffered no detriment from the lack of these vehicles. Neither excuse is a real one, but by way of direct condemnation there is a finding at page 58 of the report which reads as follows:

Had Colonel Spearing, when he realized as early as October 10 that the Awatea could not take all the mechanical transport, taken immediate steps then to ascertain the capacity of the ship and, with his knowledge from past experience as to the space required to carry the other equipment and stores, formulated Hong Kong Inquiry

what space would remain, the twenty vehicles could have been despatched in plenty of time to have reached the *Awatea* in time for loading on October 24. Had this been done I am of opinion on all the evidence that it is highly probable they could have been loaded. I have in mind not only this feature of Colonel Spearing's activity, but his whole evidence, to which I have made reference at some length, and I do not think that he was as alert as he ought to have been. In his post he has undoubtedly moved hundreds of thousands of troops and their equipment and, I have no reason to doubt, done it very efficiently, but I think on this occasion, whatever may have been the cause there was some lack of energy.

But the confusion in handling these vehicles and the failure to get them to Vancouver on time cannot be placed upon one scapegoat. The report itself, at page 54, shows that there was a breakdown between two branches at defence headquarters, the quartermastergeneral's department and the ordnance branch. That is found in these words:

There was thus a breakdown at this point and up to this time, namely October 14, between these two branches of national defence headquarters—

The report even shows a conflict as to the duties which different officers at defence headquarters thought were theirs. Then it shows that a civilian official, the transport controller, had control of all movements, even of troops. This appears at page 52, in these words:

The office of transport controller was created by an order in council passed November 15, 1939. It was made the duty of this official to determine the preference or priority of movement to be given on the application of governments or private persons of materials, troops, or naval forces between points in Canada.

And this civilian controller of transport stopped the movement of these vehicles on October 15. That will be found at page 51, where we read:

The reason that these shipments did not proceed to Vancouver in accordance with these arrangements was that the shipment was stopped by the controller of transport on October 15, because he was aware that the *Awatea* had not the capacity for this cargo—

That is, for the whole 212 vehicles.

-and no other vessel was known at that time to be available at Vancouver, either then or in the near future.

He was not kept informed of the situation by defence headquarters. That was the real reason that the shipment of these vehicles came to be stopped. Then we find at page 55 that Colonel Spearing was in no great hurry to get these vehicles to Vancouver. We find at that page that—

On October 15 Colonel Spearing wrote to the transport controller giving him particulars of the movement, including fifty carloads of

44561-302

vehicles and spare parts. This was not received by the controller until October 17. In the meantime the shipment of all the vehicles had been held up.

And at page 56 we find this with respect to Brigadier Macklin, an officer in the ordnance department:

Not having heard from Mr. Connor-

Who was in the office of the transport controller.

—as to what he had done, Lieutenant Findlay reported to Brigadier Macklin on October 21. Up to this time the latter—

Who I believe is director of mechanization in the branch of the master general of the ordnance.

-had not been told, or did not appreciate, that the shipment of mechanical transport had been held up at all. He says that he thought they were on their way to Vancouver.

And then further down on the same page-

Mr. RALSTON: My hon. friend looked at me when he was talking about Brigadier Macklin. He is director of staff duties.

Mr. GREEN: Further down on page 56 we find this statement:

Brigadier Macklin undertook to take care of the question of priority. He did so by acquainting both the commander of the force (Brigadier Lawson) and the staff captain (Captain Bush) with the situation and handed to both of them, on October 22, before they left Ottawa, a memorandum setting out these facts.

I point out these significant words:

From that time forward no one at National Defence headquarters did anything further in connection with these twenty vehicles. This was left in the hands of the transport controller.

And he, as I have mentioned, was a civilian. The war committee and national defence headquarters should not have permitted this force to sail from Vancouver without these vehicles. I understand they could have been acquired from the forces in British Columbia, had there been the proper staff work done here in Ottawa.

This is a sorry story, and I cannot help comparing it with the way that the Canadian corps did business under its great leader, General Sir Arthur Currie. Such slipshod work would not have been tolerated for a moment in the Canadian corps, and there would have been no victories such as the Canadians won in the last war if there had been staff work of the type done in connection with this expedition.

Colonel Spearing has been retired. But is that all that is to be done? The work of Canada's defence headquarters must, I repeat, be efficient. It concerns men's lives, the lives

[Mr. Green.]

of hundreds of thousands of Canadians. Perhaps the work of defence headquarters will decide the fate of this nation. Canada is in the hands of the senior officers in the Department of National Defence, and Canadians have the right to insist upon efficiency in that headquarters.

I was much impressed recently by these words in a book entitled "Strategy for Victory," by Mr. Hanson W. Baldwin—I recommend that hon. members read it—appearing at page 58:

The premium, in other words, must be upon efficiency.

He is here dealing with the military leaders of the united nations.

There must be no tolerance of inefficiency. It must be rooted out unmercifully and quickly.

The future security of Canada depends upon the elimination of the cause of past mistakes. We can never fight a war efficiently if mistakes are to be condoned. I suggest that there must be, and at once, a thorough review of the organization of defence headquarters; there must be a review of the methods in that headquarters for coordinating its activities; there must be a review of its relationships with civilian departments and boards and with civilian controllers. This is absolutely necessary if the confidence of the Canadian people in our military leaders is to be retained.

In conclusion, there can be no doubt that Hong Kong has been a tragic event in Canada's history. The only redeeming feature about it is the courage shown by those men. But if the government is willing to act quickly and drastically to remedy the defects in our war machine which this report discloses, then the ill-starred expedition may yet be the means of saving Canada.

I move, Mr. Speaker, in amendment; seconded by the hon. member for Lake Centre (Mr. Diefenbaker):

That all the words after "that" be struck out and the following substituted therefor:

"this house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian Expeditionary Force to the crown colony of Hong Kong as has been disclosed reveals convincing proof of incapacity on the part of the responsible military authorities and demonstrates the immediate and urgent need for a comprehensive reorganization of the Department of National Defence.

Mr. J. G. DIEFENBAKER (Lake Centre): Mr. Speaker, I did not have the opportunity of hearing the entire address just delivered by the hon. member for Vancouver South (Mr. Green), but knowing his continuous interest since the beginning of this parliament in all matters affecting the military affairs of this nation, and having regard to the amendment which has been moved, I am sure all

4782

will have been convinced that his purpose, far from being a partisan one, is solely that of endeavouring to mobilize the forces and the equipment of this nation that they may be utilized most effectively. And while nothing can be done to redeem what took place at Hong Kong, nevertheless we as a nation and as members of the House of Commons should dedicate ourselves to the purpose that in the future those things that did happen shall not occur again.

I am not going to deal with the military side of the matter, but rather with another phase of it, because I believe this is one of the most serious debates which has yet come before the House of Commons. If mistakes have been made, punishment should be meted out. If negligence has taken place, that negligence too should be punished. But there is another issue, and it is the issue with which I intend to deal, so that there may be no duplication in arguments. I refer to the issue in which I believe parliament and the people generally are interested, namely, the preservation of those rights of democracy which in recent years, and particularly since May, 1940, have been diminished day by day and week by week.

This debate should do much to improve the military effort of our nation. What I have in mind is that we have not the whole evidence available. I will say that we have not large portions of it, some of which has to do with reports from the British government, which the Prime Minister (Mr. Mackenzie King) has stated, as I remember it, that the British government does not desire to produce. We as a parliament have the right to assert the supremacy of this parliament; we have the right to say that this parliament should not be given an expurgated edition of the evidence, that this parliament has the right to know what the evidence was, and that the press has the right in war time, as have hon. members of this house, to make such fair criticism as may be necessary in order to improve the war effort of this nation.

If there is one thing that has been established as a result of the Chief Justice of Canada having been placed in the position of commissioner in connection with this matter, it is that the time has come when judges of high courts should not be placed in control of royal commissions. I have a record here of the number of royal commissions which have been appointed since 1923. The number is eighty-three, and the fees and expenses to judges total \$180,000. This principle is wrong. We are placing the judges in a position where their prerogatives and their independence are denied because of the fact that reports that 44561-3023

Hong Kong Inquiry

they bring down either please or displease one side or the other. If there is one thing to which the people have a right, it is that the entire evidence should be given to them and it is in connection with this phase of the matter that I intend to speak.

The only evidence available to us is such portions of the evidence, taken at the commission sittings held in secret by order in council, as were declared to bear out the conclusions arrived at by the commissioner. What does this mean? It means that parliament has set up a commissioner to investigate, to get the evidence, and to bring the matter before parliament, and then the hands of parliament are tied by a legalistic quibble which amounts to this: parliament created an individual as a commissioner, and parliament must be bound by the findings of that commissioner.

The other day the Prime Minister said that to take a stand like that was to criticize the judiciary of this country. That is not in accordance with the position of affairs at all. Does anyone cast aspersions upon a judge by appealing his judgment? Is a judge fallible when he sits as a judge and infallible when he sits as a commissioner? Are the members of this house able to discuss the evidence? All that they are able to discuss is that part of the evidence which has been chosen by the commissioner to bear out the arguments and conclusions made by the commissioner. What would be the position in a court of law if we were bound in the same way? The plaintiff's action is dismissed and he appeals, which is what is taking place here before parliament, the supreme court of this nation. All the appeal court might have before it is the evidence given for the plaintiff, or such portions as the trial judge believes should be placed before the court of appeal in the interests of the defendant.

Mr. RALSTON: The statement which my hon. friend has made is so important and so grave that I feel I should call attention to the fact that whereas my hon. friend says that the only evidence quoted in the appendix was the evidence which supported the findings, the whole argument of the hon. member for Vancouver South (Mr. Green), his whole criticism, has been based on the evidence quoted in the appendix. My hon. friend has suggested that the commissioner has selected only certain evidence, but that is the evidence upon which the hon. member for Vancouver South based his argument.

Mr. DIEFENBAKER: Apparently the Minister of National Defence puts forth the argument that it is fit and proper that only a portion of the evidence should be produced.

Hong Kong Inquiry

I refer him to what the present Prime Minister of Great Britain said in the British house on March 20, 1917. The hon. member for Vancouver South founded his argument on the evidence disclosed in the appendix, but my argument is that we should go further and have all the evidence, so that parliament would have before it every point of view, so that nothing would be kept from the people of Canada. That is the position; there is no divergence between us. He has argued his case on the point of view of the evidence that is here, and that is all he can place before us. I am arguing the matter from the point of view of the denial to parliament of its rights. I am protesting against our hands being bound by any commissioner, however high his position in the judiciary may be.

A commission was appointed in Great Britain in 1917 to investigate the Dardanelles expedition, and they brought in an expurgated report. They were unable to tell the whole story, or to place the whole evidence before the parliament of Great Britain, because conditions had not changed in the Dardanelles. The war was still going on there. The same argument does not apply to-day to Hong Kong. It is gone; a great portion of the east is gone, and the argument of national interest cannot apply in this case as it did in the case of the Dardanelles. Here is what Mr. Churchill said:

I am bound to say that I welcome the publication of the report. If the commission had confined themselves to conclusions and to expressions of opinion I think it would hardly have been necessary for me to intervene at all in the debate, except perhaps to urge some general considerations upon the house. But the method which the commission have chosen is to build up a narrative—a very interesting and very exhaustive, although not in all respects a complete narrative—by a great number of clippings and snippings from documents, and by single sentences from the evidence of witnesses, and these have been pieced together with the greatest patience and the greatest skill to form a connected narrative.

I pause to point out how applicable those words are to the present report. I continue:

I know how earnestly the commission have desired to be fair and just to everyone, but it is a fact that this method which they chose is in conflict with all the accepted principles in regard to documents and evidence, because it is the fundamental principle that if a document is quoted, if an extract from a document is taken, one should know what the context is and if one answer of a witness is cited, that answer can only be judged in relation to the whole of his evidence. I should like the house to observe that these interesting quotations, which are taken from the evidence of witnesses, have in some cases—I might almost say in many cases—attracted more attention and have been the foundation of more comment or criticism in the public press than the carefully weighed and considered conclusions of the [Mr. Diefenbaker.] commissioners. I cannot see that there was any reasonable halting ground between the commission confining themselves to conclusions and expressions of their opinion, pure and simple, and the general publication of the evidence.

Mr. MACKENZIE KING: Can my hon. friend tell me who were the commissioners in the case of the Dardanelles inquiry, and whether there were any members of the judiciary on that body?

Mr. DIEFENBAKER: I do not believe there were any members of the judiciary on that commission.

Mr. HANSON (York-Sunbury): That does not alter the principle at all.

DIEFENBAKER: The Mr. principle asserted by Mr. Churchill, the principle which has been accepted ever since, is that if there is any reference to the evidence, there must be reference to the entire evidence. The other day the Minister of National Defence said that the report of the Roberts commission, which sat in the United States, quoted the evidence-or at least he indicated that; I have his words here. I have before me the report of the Roberts commission, and I point out that in that report it is stated that the evidence is not being quoted, that all that is being done is to arrive at certain conclusions based upon the evidence. That is an altogether different procedure from that adopted in this case.

Mr. RALSTON: Did my hon. friend read that report?

Mr. DIEFENBAKER: Yes.

Mr. RALSTON: Did he not find that there were extracts and snippings from different letters quoted in the report?

Mr. DIEFENBAKER: I am going to read what the report says—not my conclusions. At page 2 the report says:

The evidence touches subjects which in the national interest should remain secret.

That can be understood, because Pearl Harbour is still a great naval base and still the centre of hostilities. The report goes on:

We have, therefore, refrained from quotation of testimony or documentary proof. Our findings, however, have been made with the purpose fully and accurately to reflect the testimony, which as respects matters of fact is substantially without contradiction.

Then it says at page 3:

All the testimony and evidence received have been considered, and as a result of its deliberations the commission submits the following findings of facts.

There is the position taken generally all the way through.

Hong Kong Inquiry

Mr. RALSTON: I am pointing out to my hon. friend that while that is what the commission says, if he will read the report he will find that the commission in various places has cited extracts from documents.

Mr. DIEFENBAKER: If the Minister of National Defence can point out where the evidence was referred to directly by quotation, I am going to ask him to do so when he comes to speak.

Mr. RALSTON: I shall do that.

Mr. DIEFENBAKER: I say to you, Mr. Speaker, that from the very day this Hong Kong investigation was started, the whole course has been designed to prevent criticism, to conceal the facts in anticipation of what the criticism might be. I am going to refer to the orders in council, in the order in which they were adopted.

The commission was set up by order in council. Then an order in council was passed, and this order in council went further than any other order in council that has been passed even by this government, which is notorious for ruling by order in council, with 25,000 orders in council passed to date. I am going to read this order in council. It is dated March 2, 1942, and says:

Now, therefore, His Excellency the Governor General in Council, on the recommendation of the Right Hon. W. L. Mackenzie King, the Prime Minister, and under and by virtue of the powers vested in the governor in council by the War Measures Act, chapter 206 of the revised statutes of Canada, 1927, is pleased to order and doth hereby order that where under any order of the governor in council heretofore or hereafter made, a commissioner is appointed under the Inquiries Act—

I shall leave out the unnecessary words:

-to inquire into any matter concerning the armed forces of Canada, such commissioner shall have all the immunities enjoyed by any judge of any Superior Court in Canada while exercising his judicial functions, and that any and all powers and authority of any such judge relating to any contempt of court, whether committed in the face of the court or elsewhere, shall be vested in such commissioner in respect of such inquiry.

What does that mean? To me it is the most dangerous interference with the rights of this parliament that has ever been embalmed in an order in council. It denies the right of this parliament to refer to any letter that was sent to the Prime Minister (Mr. Mackenzie King), to the Leader of the Opposition (Mr. Hanson) and the other leaders wherein any portion of the evidence that was taken by the commission is revealed. It gives the power to commit any person, for contempt committed before court or elsewhere, and it vests the commissioner with that power before or after the completion of the commission. I ask you, sir, whether I went too far when I said that the whole course of the orders in council with reference to this matter was so designed as to prevent any criticism except such criticism as might arise from the text of the report itself.

Mr. MACKENZIE KING: May I interrupt my hon. friend for a moment?

Mr. DIEFENBAKER: Yes.

Mr. MACKENZIE KING: He is seeking to have the house believe that the order in council which he has just read was prepared by myself with a view to preventing, in some way or another, free discussion by parliament. May I say to him that the order was passed at the request of the chief justice himself, for his own protection as a commissioner in dealing with the matter into which he was appointed to inquire.

Mr. HANSON (York-Sunbury): It is open to the other interpretation of intimidation.

Mr. MACKENZIE (Vancouver Centre): Only to suspicious minds.

Mr. DIEFENBAKER: Then it is a remarkable coincidence how well it fits in with the course of events to which I shall refer in a moment. The order in council gives the commissioner power to commit for contempt "for the purpose of enforcing any order made by him concerning any inquiry held in camera in order to safeguard the secrecy thereof." So that power was given on March 2 prevents any member of parliament from referring to any of the evidence, whether it might benefit the enemy or not. Whatever may be the circumstances connected with that order, I cannot understand how the Chief Justice of Canada would be protected from anything said in this house-

Mr. HANSON (York-Sunbury): Or what protection he needed.

Mr. DIEFENBAKER: Or what protection he needed in that regard.

Mr. MACKENZIE KING: He needed protection to enforce his own orders with respect to secrecy. Apparently that purpose has been entirely ignored by some others ever since.

Mr. DIEFENBAKER: Then why the necessity for the addition of the words "or elsewhere"?

I go on from there and ask, what kind of a report is this? Why is the evidence being kept secret? Trace the course from last March to date. The order in council was. passed on March 2, and no one knew anything about it until April 20, when it was tabled in the house.

Mr. MACKENZIE KING: The hon. member's leader had as counsel a gentleman who was shown the order the moment it was passed.

Mr. DIEFENBAKER: That is all part of the speech which the Prime Minister may deliver. But I am giving the record. March 2 was the date of the order in council, and like so many other orders in council passed by this government amending or suspending statutes interfering with the rights of free men in this country, it was concealed from parliament until April 20, whether intentionally or un ntentionally.

When I tell you, Mr. Speaker, that in the return brought down the other day we have a record of 360 pages indicating the statutes passed by this parliament which have been amended or suspended by this government in part or in whole, by order in council, since the beginning of the war, some indication is given of how this government is ruling without parliament.

Then came the commissioner's report. Next Colonel Drew wrote a letter to the Prime Minister, to the Leader of the Opposition and to the other leaders, and then he made a comment-perhaps not precisely in this order-in regard to the report, a comment which by no stretch of the imagination could bring benefit or assistance or comfort to the enemy. What happened? He was prosecuted on a charge of disloyalty. The people of this country became aroused at the autocratic control of the rights of individuals, and the press of this country asserted the doctrine of the freedom of the press as never before. Then what did the government do? It retreated. But it did not retreat by saying that this man was innocent. It did not withdraw the charge as charges are withdrawn in this country against honourable men. It retreated because of the fear of criticism, and the reason given for the withdrawal of the charge was to enable parliament to debate the report. Mr. Speaker, was ever a man acquitted in this country before with the government giving the excuse that the reason was political considerations?

The next incident was a letter from Colonel Drew. The Prime Minister said that that letter would be tabled if there was an hon. member who would assume the responsibility. There was such a member; he assumed the responsibility; and then what did the government do? Did it bring down the letter?

Mr. HOMUTH: Another retreat.

[Mr. Diefenbaker.]

Mr. DIEFENBAKER: Another retreat, yes.

An hon. MEMBER: A strategic retreat.

Mr. DIEFENBAKER: Another strategic retreat. What did the government do to find out whether parliament, the highest court in this land, supreme within its own realm, could ask for the production of the letter? The government of Canada went to a lawyer in the city of Montreal and asked him whether he thought the Prime Minister was right when he said he would permit the tabling of the letter. What a course of action against political opponents! Retreats because of public criticism!

The explanation is to be found in Hansard of July 15; it is that the letter cannot be permitted to be brought before parliament because it contravenes an order in council. The reason given by the Prime Minister for being rather diffident about it was that it consisted in part of a criticism of a judge. Mr. Speaker, do either of these explanations appeal? No doubt mistakes will be made in connection with our armed forces in the future as in the past. Members of the opposition and the great press of Canada have endeavoured to ensure, by the publication of the evidence and the letter, that things like this shall not take place again if it is within the power of parliament to prevent it. The government, instead of cooperating to that end, adopted an attitude on this matter of fumbling and bumbling and stumbling; first one course, then another; yet at all times asserting its belief in the freedom of the press and the freedom of parliament and parliamentary criticism.

Just in that connection may I point out that I have in my hand a series of lectures entitled "The Battle of Brains," which is to-day and has been since June, 1941, given to officers and men of the Canadian expeditionary force in order to acquaint them with what we as a nation and as an empire are fighting for. One of the salient features of this book and of the lectures is the statement that this government under the Prime Minister has ever asserted the right to freedom of criticism on the part of press and parliament. Yet everything in connection with Hong Kong from the beginning to the end has been an endeavour on the part of the government to prevent the publication of the evidence, to ensure that the people of Canada shall not know the full facts, to prevent the improvement of conditions which might have been improved, had all the evidence been before parliament.

I point out that this series of lectures, designed for the benefit of the men in the army, contains material which is nothing more nor less than political propaganda paid for by the people of Canada. Do you think I have no foundation for that statement? I point out first that it states in the introduction:

These lectures are intended as a "Recruit's Course in Democracy" comparable to a "Recruit's Course in Drill" if you like. They are intended to give the officer and the man the common facts of our history, our ideals and our purpose. Above all they are intended to MAKE HIM THINK.

The last three words are not in quotation marks but in capital letters. I turn to lecture IX, and I ask that the principles therein set out be applied in the present instance and that the evidence taken be produced in this parliament, except such portion as in the opinion of the Prime Minister might do harm to this country. I ask, too, that the letters which have been written to the Prime Minister be now produced, so that the people may know what is the situation in so far as the evidence revealed it, not the conclusion or the assortments of evidence which appear in the appendix.

The title of the lecture is "Our Precious Freedom". It is a magnificent lecture. It begins at page 99 in the following words:

Why are we fighting this war? We are fighting for our individual freedom.

Then it asks:

What then, is this freedom?

Here are the examples given for which Canada and the empire fight to-day. First, Greece, the battle of Thermopylae being mentioned—a battle which guaranteed freedom for a thousand years. Then magna charta, another stepping stone in history, and something is said of the struggle for political liberty. Then it tells the story of Bishop Latimer, how he suffered for religious liberty. Finally, after Leonidas, Magna Charta and Bishop Latimer, we have the following about William Lyon Mackenzie:

In our country, Canada, we have witnessed the same fight for freedom. About 120 years ago, an energetic and fearless young Scotsman arrived in Canada with his mother. He came with bare hands but readily established himself by his competence. Very soon he became oppressed by the lack of freedom in Canada.

Later it says this:

Finally . . . he was forced to flee to the United States . . . it was this sincere and earnest but hot-headed political advocacy and the spirit of self-abnegation inspiring it that helped us win more quickly the freedom which we possess in Canada to-day.

Now, then, listen to this, in a book paid for by the Dominion of Canada for the instruction of the armed forces of this country:

We cherish freedom of speech as our inalienable right. No stronger advocate of the right of the opposition to voice their criticism of the government is to be found than the present Prime Minister of Canada—the grandson of William Lyon Mackenzie.

Mr. HANSON (York-Sunbury): And when I criticize him he says I stab him in the back.

Mr. MACKENZIE KING: May I say to my hon. friend-

Mr. DIEFENBAKER: No, I wish to finish this now. The lecture goes on:

Freedom Won and Lost

The above glimpses of the past give some idea of the sacrifices made by those who, through their courage and their vision, saw the growth of man as one with the development of the free life. Leonidas died in the hope of holding the fine flower of Grecian culture for the continued life of his people; the Magna Charta defined and protected the rights of all men from the highest to the lowest in the land. Latimer, 400 years ago, gave his life for the right of every individual to worship God in his a mere 120 years ago that William Lyon Mackenzie sacrificed a hard-earned livelihood, his safety, faced imprisonment and exile for the freedom of speech to attack a selfish controlling group.

There is the record. I would ask the Prime Minister this question: Is the record right, in the instructions given to the men in the armed services of this country? If it is, I ask the Prime Minister now to remove the ban from the publication of the Drew letter, remove the ban that was not imposed by this parliament, but was based upon an interpretation by a lawyer, the representative of this government, of an order in council of this government. There is a statement of what freedom means in that booklet. I ask the right hon. gentleman to get up in the house and give us an opportunity to know what the facts are in connection with Hong Kongnot to deny criticism, as criticism has been denied, denied first by order in council which is applicable only to the sittings of the commission and not to the report to parliament.

Mr. FRASER (Northumberland): Has the hon, member read the Drew letter?

Mr. DIEFENBAKER: I do not know whether my hon. friend has read it or not, but I do know that a member of this house stood up and said that there was nothing in that letter which would be beneficial in any way to the enemy. I refer to the hon. member for Rosetown-Biggar (Mr. Coldwell).

Mr. FRASER (Northumberland): But have you read it?

Mr. MACKENZIE KING: Mr. Speaker, my hon. friend has been asking me certain questions and I hope I have the right to reply to him.

An hon. MEMBER: Later.

Hong Kong Inquiry

Mr. MACKENZIE KING: I wish to speak at this point before the hon. member passes on to something else. He has brought my name into this controversy at this moment and is seeking to leave the impression that because this book has been published and contains a reference to William Lyon Mackenzie, that reference has been placed there with my knowledge, and that the book is being circulated with my knowledge and consent.

An hon. MEMBER: Will the book be withdrawn?

Mr. MACKENZIE KING: Just a moment. I wish to make it clear that I had no knowledge, in the first place, of the existence of the book, no knowledge of its contents, that I am in no way responsible for the statements that appear in it, though I think the statements he has quoted are correct. Now my hon. friend asks me whether, following the example of William Lyon Mackenzie, I am prepared immediately to do as he proposes. Were I to take the step he suggests I would be doing the very thing which William Lyon Mackenzie did his best to oppose, namely, the undermining of an independent judiciary or of the properly established institutions of the country.

Mr. HANSON (York-Sunbury): The right hon. gentleman cannot hang his hat on the judiciary. It is not in question.

Mr. MACKENZIE KING: The chief justice of the country is being maligned at the moment by the hon. member who has the floor—

Mr. HANSON (York-Sunbury): He is not maligning him.

Mr. MACKENZIE KING: On a point of order, I contend that the hon. member who has the floor has no right whatever to make any mention of any communications from Mr. Drew which reflect on the chief justice of the country, who acted as commissioner. The amendment moved this afternoon has been carefully drawn. It has been prepared in the light of possible objection being raised to a question such as is now to the fore. It relates to the evidence which appears in the report. The hon. member who has the floor introduced references to evidence not in the report, and what he says would serve—

Some hon. MEMBERS: Sit down.

Mr. MACKENZIE KING: —to reflect upon the Chief Justice of Canada, who was commissioner in this matter, and who was appointed commissioner with the consent of all leaders in this house because he was the

[Mr. Mackenzie King.]

Chief Justice of Canada. He was made commissioner with the consent of the leader of the opposition—

Mr. HANSON (York-Sunbury): That is not a point of order.

Mr. MACKENZIE KING: —because it was believed, and rightly believed, that the people of Canada would have confidence in the integrity of the chief justice—

Some hon. MEMBERS: Sit down.

Mr. MACKENZIE KING: That is a typically Tory method, shouting speakers down.

Some hon. MEMBERS: Hear, hear.

Mr. HANSON (York-Sunbury): The right hon. gentleman-

Mr. MACKENZIE KING: Order. I am speaking on a point of order and I have the right to do so. I have the right to speak on a point of order, and if hon. gentlemen opposite think they can oppose me on that they are greatly mistaken.

An hon. MEMBER: The members of this parliament have an obligation—

Mr. MACKENZIE KING: I ask you, Mr. Speaker, to give your ruling on the point I raised as to whether any hon. member has the right to bring into this debate at the present time any references that would constitute allegations against the chief justice of the country—

Some hon. MEMBERS: No.

Mr. MACKENZIE KING: —which are as unfounded and improper as they could possibly be.

Mr. HANSON (York-Sunbury): The Prime Minister's point of order is based on a false premise. There was absolutely no attack on the judiciary, let alone on the Chief Justice of Canada, and no interpretation of any word spoken will bear that out. What the hon. member who has the floor is asking is that the Prime Minister shall remove the veil of secrecy with which the government seeks to cover up reference to the Drew letter. I submit that there is nothing at all in the point of order because it is based on a false premise.

Mr. DIEFENBAKER: Mr. Speaker-

Mr. SPEAKER: Order; there is a point of order before the Chair. I do not think there is any doubt in the minds of all hon. members as to what is the law with regard to any references being made to the chief justice, to judges of the high courts, or to officers in high positionsMr. HANSON (York-Sunbury): A judge acting in the capacity of a commissioner?

Mr. SPEAKER: I do not think that the hon. member who has the floor has been attacking, or has intended to attack, the chief justice, or to censure him, but I did find—and as a matter of fact I was about to rise and call the hon. member to order at the moment—that he was referring to the letter and that he made a statement with regard to the contents of that letter. If I recall his words correctly, I gathered that he stated the letter would not impugn the war effort of this country. I may not have his words correctly, but I think that is the essence of what he said. I would point out that the amendment before the house states:

. . . this house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed. . . .

The hon. member has seconded the amendment, and the debate must necessarily be confined to the terms of that amendment as I have it before me. Therefore, any reference made to something extraneous to the evidence would certainly be out of order.

Mr. HANSON (York-Sunbury): I would point out to Your Honour that the hon. member has been interrupted a great deal and much of his time has been taken up with these interruptions. I suggest therefore that he should be given some further time on that account.

Mr. SPEAKER: The hon. member who was speaking was interrupted at about five minutes to one. His time would expire at one minute to one, and I think it will be in order that he be allowed to conclude his remarks. It being one o'clock I now leave the chair.

Mr. MACKENZIE KING: Let him finish now.

Mr. SPEAKER: Would the hon. member prefer to finish now?

Some hon. MEMBERS: One o'clock.

Mr. MACKENZIE KING: Finish now.

Mr. DIEFENBAKER: I conclude, Mr. Speaker. I thank the house for its courtesy, and I conclude with an appeal to the Prime Minister to allow the evidence to be brought before parliament. I ask him to remove the veil that hides that evidence and so that the people of Canada may know whether the evidence that was given is corroborative of the evidence that was quoted. Instead of taking the position that a prosecution was withdrawn merely because parliament should be given

Hong Kong Inquiry

an opportunity to debate the matter, make the admission that the reason for the withdrawal of the prosecution was that it was unjustified, and there was no evidence to support it. Produce the record here of what took place. As it stands we have the record of an order in council of March 2; an undertaking on the part of the Prime Minister that he would produce the Drew letter; the next day an alteration in his view; first giving the press of the country permission to publish the letter, and a little later the same day denying that permission under the censorship of this country. These things strike at the root of the freedom of the individual, and above all at the freedom of the press and the supremacy of this parliament to deal with its own affairs. Only the other day this house witnessed an incident following which the press reported that I was howled down. These things, I suggest, are not proper for parliament at any time, least of all in time of war. I have tried to present my argument fairly, and I call upon the Prime Minister of this country to be true to the eulogy given him in the book of instructions which is issued to make Canadians in the armed forces think.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. T. C. DOUGLAS (Weyburn): Mr. Speaker, I cannot think of any debate in which I take part more reluctantly than I do in the one in which we are now engaged. That is because to me the men who were involved in this Hong Kong expedition were more than mere figures. It was my high privilege to know some of them personally, and numbered some of them among my closest and dearest friends. I would therefore hesitate to do anything or to say anything which would seem to be using their present plight for the purpose of indulging in political wrangling.

I should like to take part in this debate and see the debate on a whole conducted as though the men who now rot in Japanese internment camps were in these galleries. I feel certain that if they were listening to the discussions in the house they would expect that those of us in opposition ought not to use this incident as a political football. I think, secondly, they would expect that the government would not allow this investigation into the Hong Kong affair to develop into a whitewash. And above all they would ask that we should benefit by the experience through which they have passed, and if possible learn some lessons so that there might be no more Hong Kongs in the future.

It has been said in some places that there is no value in discussing this report, that nothing is to be gained by raking up the past. I agree with that, perfectly; but if from the past we can learn something for the future, if from the past we can learn something which will enable us in the future to handle more efficiently and more effectively the dispatch of troops overseas, then both the investigation and the discussion in the house will have been worth while.

It is only natural that the public should be somewhat suspicious about the whole matter. At first the discussion indicated that there was to be a parliamentary investigation. Then it was decided that there should be an investigation by royal commission. Then it was announced that the investigation would be held in camera. Following the publishing of the report and the appendix a statement was made by Colonel George A. Drew, and following that he was to be prosecuted under the defence of Canada regulations. Then after that a letter was sent by that gentleman to the Prime Minister (Mr. Mackenzie King), which the Prime Minister offered to table and later refused to table. All these things, it seems to me, have given the public cause to feel that probably we have not dealt with this matter in the frank and open manner in which we ought to have proceeded. The government would therefore be well advised to reconsider its position, and, with the exception of the correspondence from Great Britain, which the United Kingdom does not wish to have published, should decide that the rest of the evidence ought to be placed on the table of the house. I believe that would do more to arrest suspicion and to give us an opportunity of examining all the facts than any other single thing the government could do.

I come now to the report itself. May I say at once that to me there is a distinct difference between the Chief Justice of Canada in his judicial capacity and that gentleman when he is commissioner sitting as head of a royal commission. As commissioner he would not enjoy the immunities which belong to his official office. To me he is not sacrosanct. When he leaves the bench to take the position of commissioner of a royal commission he places himself in a position where he gives opinions on a very controversial subject, and we have the right to criticize or to differ from him as the case may be. If that is to be considered contempt of court, then I say to the government: Let them make the best of it. So far as I am

[Mr. T. C. Douglas.]

concerned I do not intend to treat the commissioner as though he had any judicial immunity.

Before discussing the report I should like to say that I read it and made a study of it while I was in western Canada attending military camp, and I did so without having seen the letter sent to the Prime Minister by Colonel Drew. The evidence which convinced me before ever seeing that letter was the evidence contained in the appendix of the report.

To my mind this report is one of the most amazing documents I ever read, and particularly the appendix to it. In the strict sense of the word the appendix is not an appendix at all. It gives two fragmentary documents, but it does not give a list of tabled documents. What it does give is a counsel's brief in defence of the government's action. It states a series of facts and then draws from those facts what to my mind are the most unwarranted conclusions. On page 3 of the report it is stated:

A full statement of the facts and a full discussion of the evidence appear in the appendix hereto which is to be considered as part of my report.

"A full statement of the facts and full discussion of the evidence" does not appear. All that appear are merely such facts as are required to bolster the position taken in the report. The only documents produced are fragmentary in character and are quoted in substantiation of a position which had already been taken by the commissioner.

I should like to deal with the report under the headings which the commissioner himself has set up. The first one is the decision to send an expeditionary force overseas. On page 4 the commissioner draws attention to the fact that Mr. Drew, who was counsel for the leader of the opposition (Mr. Hanson), submitted that in view of the change of government in Japan, this government ought to have been warned of the impending outbreak of hostilities. The commissioner does not agree with that, and he makes statements in regard to that in several places in the report. Speaking of the chief of the general staff, he says this, as appears on page 21 of the report:

While war with Japan was not, he thought, imminent, he realized that it was a contingency which must be taken into account.

On page 46 he says:

We should remind ourselves once again that in October, 1941, there were no hostilities in the Pacific and the best informed opinion available to the Canadian authorities was that hostilities would not arise in the near future.

In substantiation of that, the commissioner drew attention to exhibit 45, which appears on page 61. The exhibit shown here is only a sentence or part of the ninth paragraph of a document sent to this government by the government of the United Kingdom. It seems to me that either all that document ought to have been quoted, or none of that document ought to have been quoted. It is a most unfair proceeding to take a single sentence out of its context and submit it as evidence before a royal commission.

The main fact has not been touched, and it is this: according to the report of the Roberts commission which investigated the Pearl Harbour catastrophe, the intelligence service of the United States knew on October 16 that hostilities were likely to break out in the Pacific, and word of this was forwarded to their army and navy commands. One of two things must be assumed. Either the British intelligence knew this or they did not know. If the British intelligence knew this, was it or was it not conveyed to the Canadian government? If it was conveyed to the Canadian government, why did not the Canadian government take some action in that regard and adopt a procedure in sending troops overseas with that fact in mind? If the British government did not convey that information to the Canadian government, then have we the proper machinery to establish a liaison between the war office in London and the Department of National Defence?

Somebody blundered, and the commissioner does not say who. But I want to say in all seriousness that the people of Canada will not permit Canada to be treated as an overgrown colony. We are not to be treated merely as someone to be given information when and if it suits the purpose of the British war office. If the British war office had that information, it should have been conveyed to the Canadian government. If they did not convey it or did not have it, then what facilities are being set up by the Department of National Defence to acquaint itself with the theatres of war into which Canadian troops may have to go?

I turn now to the next section of the report, in which the commissioner deals with the units that were selected. He points out that the two particular units were selected because they were not attached to any particular division; to have done otherwise would have meant breaking into a division already established and would have upset the plans of the Department of National Defence. The two units selected were the Royal Rifles of Quebec and the Winnipeg Grenadiers. I shall not weary the house by quoting again what was quoted this morning by the hon. member for Vancouver South (Mr. Green), but the report shows that the men in both these units had never fired a two-inch mortar, a threeinch mortar, an anti-tank rifle, an anti-aircraft machine gun, a sub-machine gun, or a rifle grenade; nor had they thrown a live hand grenade. I refer to page 5, where it is stated:

The Royal Rifles had the three-inch mortar for training purposes at least as early as April, 1941. Although they had no ammunition, the mortar platoon was trained in its mechanism and use, tactically as well as otherwise. The mortar platoon of the Winnipeg Grenadiers was also trained in the mechanism and use of the same weapon; and further enjoyed the advantage of having, even before leaving for the West Indies. a number of anti-tank rifles (without ammunition) for training.

In this connection I refer to pages 26 and 27 of the appendix, where Brigadier Earnshaw was asked these questions and gave these answers:

Q. Can we put it this way, that it was fully equipped as a battalion in all respects?—A. Yes, except, of course, that it did not have certain weapons, but neither did any other battalion.

Then from the same page I quote:

The Royal Rifles had at all times their full share of rifles and bayonets, an adequate supply of light machine guns (both Bren and Lewis) and pistols, and their full scale of transport vehicles. They had one two-inch mortar for instructional purposes; but with this exception, they had no two-inch mortars, or anti-tank rifles.

And from page 27:

One gun was given to each company. Ammunition both for the three-inch mortars, as well as for the tommy-gun, was lacking. There were no live grenades in Newfoundland for practice purposes and training in grenade throwing was done with dummy grenades.

Then the evidence of Lieutenant-Colonel Sparling is quoted on the same page as follows:

The Winnipeg Grenadiers did not have dummy grenades, whereas the Royal Rifles and other units had dummy grenades.

On pages 28, 29, 30, 31 and 32 the whole story is set out. It says on page 28:

Practice in firing the tommy-gun was not possible to Canadian battalions before October, 1941, as they have only recently been equipped with them.

Speaking of the Royal Rifles of Quebec, he says this on page 29:

The battalion also had two anti-tank rifles for training purposes and was equipped with rifles and revolvers. Individual training with rifles had been completed. Prior to May, 1940, the training with these rifles did not include firing at outdoor ranges.

And further down on the same page this is stated:

With regard to musketry, this report states that all the battalion had fired Part I on the miniature range, but had not fired their classification with service rifles.

The members realize what that means, of ourse. Firing with a .22 rifle on an indoor

range is a very different thing from asking men to fire on an outdoor range with a service rifle and ammunition. The report goes on, at the top of page 30:

The battalion had been issued approximately 18,000 rounds of 1910 ammunition. The poor quality of the ammunition accounted, in the opinion of the commanding officer, for the fact that more did not qualify.

As I read the next two or three pages I am impressed by the statement three or four times made and reiterated that the men constantly indulged in bayonet practice. Well, with 1910 ammunition, and some of the men not having fired a machine gun, it was perhaps a very good thing to practise the use of the bayonet; because it would look as though that was what they were going to use.

Again, at page 30, I quote:

With regard to the Bren gun, it is stated that: "These guns not being available, training in accordance with S.A.T. vol. 1, pamphlet 4, could not be carried out, but lectures in mechanism have been given with the aid of charts."

Speaking of the anti-tank rifle it says:

As there is no ammunition for this weapon, no actual firing of the gun has been possible.

Then at the bottom of page 31 it is the same story—no sub-machine guns and no anti-tank rifles. It says:

With regard to the seventy-five recruits who had joined the battalion in the West Indies. Colonel Sutcliffe reports that at that time they had received no basic training at all.

An hon. MEMBER: Read the next line.

Mr. DOUGLAS (Weyburn): The commissioner goes on to say:

He also appears to have been mistaken with regard to this, as the records of the men concerned show that they spent five weeks at a basic training centre before going to the West Indies.

Then at the top of page 32 he says:

With regard to the anti-aircraft platoon, he says it had been fully instructed in mechanism, drill and tactical handling of both the Lewis and Bren guns, but no firing had been done.

This was not only true of both units, that they had not fired these guns, but the Winnipeg Grenadiers had not fired a light machine gun at all except that just prior to their departure they had used the service rifle and service ammunition on the range.

The hon. member for Rosetown-Biggar (Mr. Coldwell) and the hon. member for Mackenzie (Mr. Nicholson), each had an experience the one of which corroborates the other. The member for Rosetown-Biggar talked to a young soldier here in Ottawa and the hon. member for Mackenzie talked to a young soldier in Winnipeg. Both had been with the

[Mr. T. C. Douglas.]

Winnipeg Grenadiers in the West Indies, and both told the same story. They said that only three times had they seen a rifle fired during their stay in the West Indies—once at a rabbit, once at a nazi flag flying over an internment camp, and once by a sentry when someone failed to answer his challenge.

The impression has gone out that the main objection has been to the fact that a number of recruits were sent with this expedition to Hong Kong who were not fully trained. I do not think that is the most serious aspect of the matter. Had these twounits been well trained in the handling of their platoon weapons, the adding of a few partly trained men, I am inclined to agree, might not have been so serious. But the fact of the matter is that neither of the units had been adequately trained in the handling of the platoon weapons on which their very lives were to depend. Why I am interested in this is to ask this question: To what extent is this policy being continued? I look, for instance, at page 33 of the report, where I find this:

Lieutenant-Colonel Sparling . . . said that in his opinion the training of both the Royal Rifles and the Winnipeg Grenadiers was far ahead of the units of the second division at the time they proceeded overseas.

In view of wha⁺ has just been said as to the amount of training which these men who went to Hong Kong had, what amount of training, I ask, had been given to the second division when they went overseas? I quote from page 26, where Brigadier Earnshaw, when asked whether the battalions sent to Hong Kong were equipped, replied:

Yes, except, of course, that it did not have certain weapons, but neither did any other battalion.

Sometimes we hear talk of giving comfort to the enemy, but I do not know of anything that would give him greater comfort than that. It goes on to tell that the two units had not fired some of the most important platoon weapons, but had fired the service rifle only a short time before going overseas. They were in the same position as all the other units, and one officer suggested that they were in a better position than the second division when they went overseas.

Mr. RALSTON: My hon. friend is not interpreting the evidence quite correctly. The evidence he refers to on page 26 reads:

Q. Can we put it this way, that it was fully equipped as a battalion in all respects?—A. Yes, except, of course, that it did not have certain weapons.

That has nothing to do with any question of the firing of the Bren gun or the rifle. Mr. DOUGLAS (Weyburn): But it does say that neither did any other unit have two-inch mortars.

Mr. RALSTON: Right.

Mr. DOUGLAS (Weyburn): That is correct. Of course, I know that what General McNaughton said, in response to a question, will be quoted. That is on page 43. He was asked this question:

Q. With regard to your answers to questions by my friend Mr. Campbell, he gave to you the figures 43 and 62 of men who had less than sixteen weeks in connection with these two battalions respectively. Could those numbers, in your opinion, be increased without affecting the answer which you gave to His Lordship to any extent?—A. Well, I think I would like to answer it this way, saying that I took the first Canadian division overseas, well on towards 18,000, and not one of them had had that training; not that I was happy, but—

He was interrupted at that point. The two cases are not parallel. In the 'first place, General McNaughton took the first division over a few months after the outbreak of this war, but this Hong Kong expedition was being taken over two years after the outbreak of this war. Secondly, General McNaughton took over a division which was to receive extensive training in England.

Mr. MACKENZIE (Vancouver Centre): Who could tell then?

Mr. DOUGLAS (Weyburn): The battle line at that time was well into Flanders. But here an expeditionary force was being sent to Hong Kong into what, in the event of the outbreak of hostilities, would be one of the outposts of the British empire and would come under immediate attack by the enemy.

I think it is important that the Minister of National Defence, in making his statement, instead of going into a defence of what has or has not happened, should give this house some assurance as has been asked for already to-day. that Canadian troops to be sent overseas will have received their full battle training here in Canada. We have the food here to feed them, we have the space here, and there is no reason at all why these men cannot be trained in Canada. I have heard certain rumours already with reference to troops going to England recently with a minimum of training, and it seems to me that in the light of the experience we have had with the Hong Kong expedition that practice should be stopped as quickly as possible.

The commissioner makes some reference to the reinforcements which were added to these two units. I shall not go into that in any great detail, because there is a lot to cover. I shall briefly refer to page 44, where Colonel

Hong Kong Inquiry

J. K. Lawson, who was then director of training, sets out in a memorandum what is the standard of training for men going overseas. It seems to me that the commissioner is on very weak ground when he says that "the transfers made in October, 1941, were not reinforcements being sent overseas from Canadian training centres within the terms of the general order of August, 1940, and that therefore the order is technically inapplicable."

To take refuge in technicalities is totally beside the point. Whether these men were going as reinforcements from training centres or whether they were attached to a division is not the important thing. The important thing is whether or not these men were adequately trained, not only to defend themselves, but to make use of such protection as the country might afford, before they were sent over into a theatre of war.

Nor can we take refuge in the fact that at the bottom of page 44 he says:

General Crerar, who, as chief of the general staff, had been responsible for the general policy expressed in the order of August 18, 1940, was absent from Ottawa during the period when steps were taken to bring the two battalions up to strength.

The fact that General Crerar was out of the city or in the city is not the thing. What this house wanted to know was who was responsible for men being attached to units going overseas who had not had sufficient training to fit them to go into a potential theatre of war.

Mr. MITCHELL: Did the hon. member read what General McNaughton said about them on page 43?

Mr. DOUGLAS (Weyburn): Yes, I read what McNaughton said about it. The minister will not expect me to quote all the report unless he is prepared to give me all the time I need.

Mr. MITCHELL: You ought to be fair about it.

Mr. DOUGLAS (Weyburn): I am making my own speech. The minister can make his. If he wants to give me extended time I will read the whole report; if not, I can refer only to what can be contained within forty minutes.

General Stuart, in cross-examination, as appears on page 45, admitted that he wanted to give these men a refresher course. In response to a question by the commissioner, "There was no alternative?" the answer was, "There was no alternative, my lord." Of course an alternative would have been to take units from one of the divisions if these units were better equipped, better trained and more fit. True, it would have upset some of the arrangements of the Department of National Defence, but the first consideration ought to have been whether or not these men had been sufficiently trained to warrant putting them into such a dangerous position.

I should like to refer particularly in connection with this question of reinforcements to a matter which affects myself. I note that the commissioner did me the honour of quoting me on page 39 of the appendix. He stated that all the officers had completed their training—that is, reinforcement officers and he says:

In general, this opinion was confirmed by Mr. T. C. Douglas, M.P., who knew five of these officers and saw them shortly before they left for Hong Kong.

That is one of the things which amazed me most in this report. If the rest of the evidence presented to the commissioner was interpreted with as prejudiced a point of view as the evidence I submitted, I have grave doubts about this report. I went before the commission at the suggestion of counsel for the commission. The commissioner was very kind to me, and seemed to be anxious to get all the facts. I told him what little I knew: that in October, 1940, I went into a reserve officers' training camp with some of these men. These men had thirty days' training in squad drill, ordinary rifle drill, and some elementary mapreading. They had never fired a Bren gun, a machine gun, or pistol when they came out. They went back to civilian occupations and were picked up again next spring and sent to Gordon Head, there to take a four months' course. They were then transferred to the Winnipeg Grenadiers and sent overseas. These officers were naturally perturbed—and T explained this to the commissioner-at the prospect of taking men into action after they themselves had received in total about five months' training, one month as reserve officers and four months to qualify as active officers. They had no knowledge of mortars and only a limited amount of training in the handling of platoon weapons. In giving this evidence I tried to be fair to these men. I went on to point out that these men were not cowards; they were not perturbed about the danger to themselves; they were perturbed about the fact that they would be leading men and they doubted if they were qualified to do so. The commissioner interprets my remarks by saying only this:

He stated that they were overjoyed at the prospect of going into more active service and they were satisfied with their training courses as regards the handling of men and general instruction, although they had some uncertainty about their experience in operational manoeuvres.

[Mr. T. C. Douglas.]

It is difficult for me to understand that statement in the light of the evidence which I attempted to give.

The commissioner says, at page 46 of the evidence, that of course these men's training could be got up in the three weeks they had on shipboard and three weeks they were to have in Hong Kong. That seems to me a preposterous statement. There were 2,000 men on a ship which originally had been equipped to hold 500. What training could they do? I have not time to read further; I see my time is slipping, but at the bottom of page 46 is a statement of the training which they were able to take-physical training, and lectures. That was not what they needed. Those three weeks could not be used in actual training, only in keeping them physically fit. It is true that they had three weeks in Hong Kong, but I understand that evidence was submitted to the commission in the form of messages from Brigadier Lawson that the greater part of that time was taken in uncrating their equipment and checking it and getting ready for settling into barracks.

I come to the last thing with which I want to deal, if my time will permit me, and that is the transport equipment and the mechanical equipment which was supposed to have gone with this expedition. It is one of the saddest stories, I think, I ever read. It breaks itself into two parts. First, here is a ship, the Awatea, according to the information, capable of holding 75,000 cubic feet of material, and originally 500 persons could have been put into it, as it was equipped for 500. It is sent to accommodate 2,000 men and 125,000 cubic feet of equipment. Had all the men been left at home this ship could have taken only three-fifths of the equipment. Whose responsibility was that? What liaison is there between the government here and the British government? Were representations made to the British government to provide two ships? Was the British government aware of how much space was wanted? Where does the responsibility lie? Do we merely take what is sent to us, put in what we can, and ship it overseas?

When they found that, with the men in this boat, only 10,000 or 15,000 cubic feet of equipment could be taken, an endeavour was made to load what they could, some twenty vehicles. The story of these vehicles is one of the tragedies of public life in Canada. If hon, members will take the trouble to read from pages 51 and 52 up to page 60 they will find that it reads like that comic strip we used to see of Alphonse and Gaston—"After you, my dear Alphonse." Here was Mr. Connor. of the office of the transport controller, Major James and Colonel Spearing, each of whom gave evidence that they thought that the other person was responsible. For instance, it appears that no ordnance transport officer was in fact appointed. At the bottom of page 56, speaking of certain arrangements being made:

From that time forward, no one at national defence headquarters did anything further in connection with these twenty vehicles. This was left in the hands of the_transport controller.

The transport controller wired Vancouver, and when he could get no satisfactory answer sent the vehicles on anyway. They arrived too late to go on the ship, and were sent by another ship which never reached the men for whom they were intended.

But to me the most amazing part is the suggestion made by the commissioner on page 8 of the report. He says this:

There is no evidence, however, that the troops suffered through the lack of them,—

Speaking of mechanical equipment—

-or that they were not supplied at Hong Kong.

Then on page 61 we find this amazing statement:

With regard to the six carriers, they are simply a means of getting a Bren gun crew, or mortar crew, across country quickly. They are not fighting vehicles in the sense that a tank is. A truck would serve equally well where there are roads.

Of course, the Japanese were ungentlemanly enough to fight where there were no roads.

Again it is not known whether the British garrison had carriers with which the force could have been, or was supplied, but, even if that were not the case, it cannot be said that the absence of these six carriers would prevent the force from carrying or using their Bren, guns and mortars.

What a preposterous statement! If this mechanical equipment was not necessary, why were the men supplied with it? The only men who could give evidence as to whether or not any suffering followed as a result of this failure to get mechanical equipment to the men are the men themselves. We have no evidence from them. Some British officers who escaped from Hong Kong did go to Chungking, but we have no report from them. No one has told us what suffering was involved. I understand that the only two messages which referred to the matter are from Brigadier Lawson himself, in one of which he says that the water and transport situation was grave, and in the other, later on, that the water and transport situation was very critical.

Mr. RALSTON: My hon. friend is incorrect.

Mr. DOUGLAS (Weyburn): The minister will have plenty of opportunity.

Hong Kong Inquiry

Mr. RALSTON: But my hon. friend is stating something that is not in the record There is no such message from Brigadier Lawson.

Mr. HANSON (York-Sunbury): What is in his report? Let us see the report.

Mr. DOUGLAS (Weyburn): That brings the whole thing to the point where I want it. I have good reason to believe—as a matter of fact, if I remember correctly, it was published by the British United Press—that Brigadier Lawson did send a message that the transport and water situation was very critical. Now the minister says that there is no such message.

Mr. RALSTON: I said there was no such message from Brigadier Lawson.

Mr. DOUGLAS (Weyburn): Well, that is all the more reason why this evidence should be tabled. The statement was made that there was such a message. The British United Press carried that statement at the time, that the message had come from the Canadian troops, that the water and transport situation was grave, and later on the message was that it was critical. If there is such evidence let us have it. It cannot do any harm now. But it is absolutely preposterous to have it suggested at this time—

Mr. SPEAKER: The hon. member's time has expired.

Mr. DOUGLAS (Weyburn): May I finish the statement? It is absolutely preposterous to suggest that these men who went into action without the mechanical equipment that should have been supplied them, and under circumstances wherein the water and transport situation was critical, could have gone into action and not suffered as a consequence. I think the government owes it to the relatives of these men, to this parliament and to the country, to table all the evidence in order that we and the government itself may take such steps as may be necessary to ensure that there will not be a repetition of this most unfortunate incident.

Mr. C. E. JOHNSTON (Bow River): I do not intend at this time to discuss the question whether or not it was a good thing to send these troops to Hong Kong. I am not going to discuss particularly the question whether these troops were as efficiently trained as they should have been, because I think there are members of this house who are more qualified to discuss that matter than I am, officers who are now assisting in the training of our troops. It devolves upon them as a duty to their country to stand up and discuss

the efficiency of the training of these troops. What I want to deal with is the very question that has arisen between the hon, member for Weyburn (Mr. Douglas) and the Minister of National Defence (Mr. Ralston). The minister gets up and contradicts the hon. member for Weyburn. He says that there was no such message from Brigadier Lawson, as that to which the member for Weyburn referred, and the implication is of course that there may have been a message from somebody else. If it was not from Brigadier Lawson, the Minister of National Defence knows whom it is from and he will not tell. I should think that would be a proper deduction from his remark, and that is exactly the point I am going to make throughout my speech. I say that this inquiry was conducted by a man who was most partial, and when I speak of this___

Mr. SPEAKER: Order.

Mr. JOHNSTON (Bow River): I have-

Mr. SPEAKER: Order. The hon. member must not impute partiality to the commissioner.

Mr. JOHNSTON (Bow River): Mr. Speaker-

Mr. HANSON (York-Sunbury): Mr. Speaker, am I to understand by that ruling that Your Honour takes the ground that the capacity of the chief justice as chief justice and his capacity as royal commissioner are indivisible? That would appear to follow from Your Honour's ruling.

Mr. SPEAKER: The royal commissioner in this instance is the Chief Justice of the Supreme Court of Canada, and as such he is included among those high personages to whom reference is made in the rule. The hon, member has made the statement that the royal commissioner was partial. Certainly the statement implies that the chief justice, acting as royal commissioner, was partial and therefore prejudiced in his report as submitted to the house, and I must rule that such a statement with regard to the Chief Justice of Canada is not admissible.

Mr. JOHNSTON (Bow River): I will bow to your ruling, Mr. Speaker, but it places me in a very awkward position, because, when I am referring to this report, and to the person who drew it up, I am not referring to the Chief Justice of Canada but to the commissioner who drew the report. All the government has to do. when it does not want criticism of its action. is to appoint a chief justice as the man who draws up its report, and it can come to us and say: You must not criticize him because he is chief justice. [Mr. C. E. Johnston.]

If that is the attitude to be taken, the government is doubly to blame, because it knew, when it appointed this man as the one to conduct the inquiry, that it would prevent us from criticizing the report.

Mr. SPEAKER: If the hon. member will permit me, citation 305 of Beauchesne's Parliamentary Rules and Forms states:

All references to judges and courts of justice and to personages of high official station, of the nature of personal attack and censure have always been considered unparliamentary, and the Speakers of the British and Canadian houses have always treated them as breaches of order.

There is no doubt in my mind that the royal commissioner, the Chief Justice of Canada, does fall within that category of high official personages. There is no objection to the hon. member criticizing the report and giving his interpretation or opinion with regard to the findings of the royal commission. But when he proposes to say that the royal commissioner is partial he is in my judgment going beyond the rules of the house, which stipulate that no such statement may be made with regard to such personage as the royal commissioner.

Mr. HANSON (York-Sunbury): On the point of order, Mr. Speaker, I desire to have it understood that I respectfully dissent from the point of view taken by the Chair. I do not propose to discuss the matter at the moment, but I make that statement. Let me make this position clear. While the rule prevents any hon. member of this house from casting any reflection upon a gentleman occupying a judicial position, in respect to that position, the rule is not to the effect that if that gentleman steps out of his judicial role and accepts a position as royal commissioner under the Inquiries Act, he therefore remains under the rule. If that were so this parliament did wrong in the attacks that were made upon two eminent jurists in connection with the shell investigation, one of whom by the way happened to be Mr. Justice Duff. The findings of the commission, and the commission, were very vigorously denounced by the then Liberal opposition in this house.

Mr. RALSTON: Not the commission.

Mr. HANSON (York-Sunbury): Yes, the commission. I think if the minister reads it again he will agree with me.

Mr. MACKENZIE KING: I took down the words which the hon. member used at the time he was referring to the chief justice, and his statement was: "a man who was most partial." That was a charge against a man, not a reference to some statement contained

in a report, or some finding. That was a direct charge against an individual, either as a commissioner or a chief justice; and the charge was that he was a man who was most partial. My hon. friend knows very well that the chief justice was chosen because the leaders of all parties in this house, and I believe all hon. members, believed that the Chief Justice of Canada was the most impartial man who could be chosen for the position of commissioner. So that the hon. member has no right to reflect upon any individual as such. He has made a direct charge against the Chief Justice of Canada.

Let me explain the situation in another way. For the moment let no member forget that this matter is being discussed in the parliament of Canada and assume that we are viewing something which is taking place in the parliament of Great Britain. Does anyone in this house believe that the British House of Commons would allow any hon. member to speak of the Chief Justice of Great Britain as a man who was most partial, one who was not qualified to fill a judicial role?—because that is what it comes to.

Mr. HANSON (York-Sunbury): That might depend upon the capacity in which the official was acting.

Mr. MACKENZIE KING: No one is taking any exception to criticism of the report, or any statement contained in it. An hon. member is perfectly at liberty to say that he thinks a certain statement is right or wrong. But he has no right to say that the chief justice of the country, whether acting as chief justice or as a commissioner, is a man who is most partial, when the country knows him to be the most impartial gentleman who could possibly have been appointed to the position he holds.

And may I point out that what the hon. member is now saying reflects upon Sir Lyman Duff—he is the same person whether filling one position or another-as one who is a member of the Judicial Committee of the Privy Council in Great Britain, one who, because of his exceptional integrity and ability, has been chosen by the British and other governments to serve on international tribunals. It is this gentleman, who has occupied a position second to none in Canada, who is said by the hon. member to be a man who is most partial. I think when my hon. friend the leader of the opposition reflects on the manner in which the bar of the country is likely to view an attack of this kind upon the Chief Justice of the Supreme Court of Canada, he will feel that perhaps he ought not to support too strongly what the hon. member is saying at the moment.

Mr. HANSON (York-Sunbury): If I may say a word—

Mr. SPEAKER: I have already given my ruling and I do not wish it to be the subject of debate: the rules of the house provide a method by which a ruling may be challenged. I do wish to point out, and this is final so far as my ruling is concerned, that there can be no objection on the part of the Chair or the house to any hon. member interpreting the report as he wishes, or giving his own conclusions or his own opinions. That has been done to-day, and there can be no objection to the hon. gentleman doing it. But there is objection to calling into question the bona fides, or sincerity of, or attributing par-tiality or prejudice, to the person who acted as commissioner when that person is the Chief Justice of Canada. The rule of the house, which I believe is the same as the rule in the British house, does not permit this to be done.

Mr. HANSON (York-Sunbury): May I be permitted to say just a word in response to the suggestion of the Prime Minister. I agree in a very substantial degree with the principle for which the right hon. gentleman is contending. I would not have used that language myself, but there does seem to be a confusion of mind with respect to the same gentleman occupying two positions. Certainly the rules are well established with respect to the judiciary, and I hope I may never violate them. With respect to the report of a royal commission, however, we all agree that this is open to attack, but it does not add anything to attach motives to the royal commissioner, though he is acting in a capacity other than that of Chief Justice of Canala. Let us have that understood; for I think the distinction is very clear.

Mr. JOHNSTON (Bow River): I might point out that I was not criticizing the Chief Justice of Canada. The Prime Minister says he has no objection to my discussing the report, so that I shall be content with saying that every man will be judged by his works, and I shall discuss these works.

It is my opinion, having read this report very carefully, that the report is exceedingly biased. When I began my study of this question I did so from a most impartial standpoint. I did not favour those who conducted the inquiry, nor did I give any undue consideration to anything Colonel Drew may have said. I think the report will speak for itself. Just let me give a few illustrations from the report. This was supposed to be a secret inquiry. This point has been mentioned before, but I

think it will bear repeating. This was supposed to be a secret inquiry into the sending of the expedition to Hong Kong.

Mr. HANSON (York-Sunbury): It was not supposed to be; it was made secret.

Mr. JOHNSTON (Bow River): It was made a secret inquiry. It started out to be a public inquiry and then became a secret one. The very first to violate that understanding, however, were those who drew up the report, because the report itself quotes from the evidence given at that inquiry. I contend that just as soon as one party to an agreement breaks the rule of secrecy, then the other party has an equal right to quote from the evidence. Therefore it no longer remains a secret inquiry; and if there were no other arguments to advance I would still say that this alone was ample support for my statement that this inquiry should be judged by this house on the evidence that was taken at the inquiry. Let me turn to page 4 of the report itself and read what the commissioner says:

I had the advantage of reading a number of dispatches from the government of the United Kingdom, which I am not at liberty to reproduce, as well as a dispatch from the Canadian military authorities in England, which is reproduced in part, dealing with the probabilities concerning war with Japan, and my conclusion—

It will be noticed that the commissioner is drawing a conclusion as a result of having carefully studied these secret documents. I suppose one with a legal mind might say that is all right, that the commissioner was going to make a finding, and I will grant that to be so in this case. To continue:

-my conclusion is that, having regard to the information of which the government was in possession, derived from the best sources of information open to them, nothing emerged before the departure of the expeditionary force on the 27th of October which could have been considered to be a justification for the withdrawal by Canada from the responsibility she had undertaken. On the contrary, the reasons which prompted the acceptance of the proposal continued to operate with possibly increasing force up to the sailing of the expedition.

Without question I say he referred definitely to those secret communications, and he says that he is going to quote part of them. The other part he cannot quote, which is in effect what the Minister of National Defence said a while ago, that there may have been word from somebody, but I won't tell you who it is. Now it leaves the gravest of doubts in the mind of anybody who would read this report that the findings were definitely not based on the facts. When that is the case, certainly the whole report itself should be thrown out.

[Mr. C. E. Johnston.]

And in case someone may say: Well, that one was based on a finding, let me read just a little further what he has to say in regard to this secrecy. I want to point out clearly that the very first principle laid down by the commission itself was broken, and therefore the report itself should be thrown out entirely and disregarded, the evidence brought down to the house, and members allowed to decide on the merits of the evidence.

I find this at page 16:

The Canadian government, having no sources of its own of military information in the far east, naturally and necessarily relied upon the government of the United Kingdom for advice as to the military and diplomatic situation there. In September and October, 1941, it was the accepted view, both in England and in Canada, that war with Japan was not imminent, although it was recognized that, to use the words of Major Power, "If war broke out with Japan the Canadian forces in Hong Kong would be in a very difficult position."

I suggest to you right there that he is using the secret information that he had to draw up that finding in the first part. But he definitely quotes Major Power. I suggest to you, Mr. Speaker, that that is not Major Power's quotation, that that is only part of it and a very insignificant part of it. And I say that the report misrepresents the truth. Surely nobody could have confidence in this report, having known that. This report is most misleading. I say that in the report the facts are stretched a great deal.

(Mr. Speaker having ruled that certain words be expunged from the record):

Some hon. MEMBERS: Hear, hear.

Mr. SPEAKER: There is another feature I wish to draw to the attention of the house. When the Chair has given a ruling it is not done with the idea of obtaining applause. It is very improper to applaud a ruling from the Chair.

Mr. BLACKMORE: We cannot hear you at all, Mr. Speaker.

Mr. SPEAKER: I say that there has been occasional applause after rulings from the Chair. Applause should not be given to rulings from the Chair, because that leaves the appearance that there has been partiality to one point of view.

Mr. JOHNSTON (Bow River): Returning to page 16, and the section which I read in which Major Power is quoted as follows "If war broke out with Japan, the Canadian forces in Hong Kong would be in a very difficult position", I contend that that section of the quotation of Major Power's words was put in there to show that there was no imminent danger from attack from Japan. Let me read further from the quotation from Major Power—

Mr. RALSTON: What is my hon. friend reading? Is he reading from the report of the commissioner?

Mr. JOHNSTON (Bow River): No, I am not reading from the report.

Mr. MACKENZIE (Vancouver Centre): What is it?

Mr. JOHNSTON (Bow River): This is further evidence of Major Power on that occasion. He says: "I will..."

Mr. RALSTON: Order.

An hon. MEMBER: Go on.

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. JOHNSTON (Bow River): Who is calling order?

Mr. SPEAKER: A point of order was raised.

Mr. RALSTON: Yes. My hon. friend, I understood, was reading some portion, or what he alleged was some portion, of the evidence which was not in the record, in reference to the hearings held in camera.

Mr. SPEAKER: The Minister of National Defence states that the hon. member is making reference to some portion of the evidence which he alleges—

Mr. MACKENZIE (Vancouver Centre): Was given by Major Power and is not in the record.

Mr. SPEAKER: —is not in the record. The hon. member is referring to some evidence which is not in the report. Is that correct?

Mr. JOHNSTON (Bow River): I was reading evidence from another extract, yes.

Some hon. MEMBERS: Oh, oh.

Mr. JOHNSTON (Bow River): It is exactly the same as the Minister of National Defence did a little while ago.

Mr. SPEAKER: I call the hon. member's attention to the amendment to which he is now speaking. The amendment is:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed—

And so on. The hon. member is entitled to speak only of the evidence which has been disclosed to the house, and not to speak about Hong Kong Inquiry

evidence of which he has other knowledge. He must confine himself to the evidence disclosed to the house.

Mr. JOHNSTON (Bow River): Speaking to a point of order, Mr. Speaker, I hope that Your Honour is taking into consideration the fact that much of my time is being taken up on points of order. The reference Your Honour has just read does not say that the evidence which is to be given in this house must be contained in the report.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. JOHNSTON (Bow River): I contend that that is part of the evidence given at the commission.

Mr. SPEAKER: The amendment refers to such of the evidence as has been disclosed. What is on the table of the house, what is in possession of the house, is the only evidence that can be disclosed now.

Mr. JOHNSTON (Bow River): Well, Mr. Speaker, that puts the argument on a very onesided basis, does it not? The government has a report here which has been completely whitewashed for their purposes.

Some hon. MEMBERS: Order.

Mr. JOHNSTON (Bow River): It is a good report from their point of view.

Some hon. MEMBERS: Order.

Mr. SPEAKER: The word "whitewashed" should not be used. The meaning of that word is well known to everyone, and its use is a reflection upon the royal commissioner.

Mr. JOHNSTON (Bow River): I am just speaking about the report.

Mr. SPEAKER: "Whitewashed" report.

Mr. GRAYDON: That is just a painter's term.

Mr. JOHNSTON (Bow River): The government has done a beautiful job of this. Now we dare not even refer to the report as being misleading because the government take objection. They appointed the commission, they appointed the chief justice as the head of it, and we dare not criticize him; we dare not criticize the report. The government take very strong exception to anything that is not in their favour. The whole report has that very bearing all the way through, and then the people of Canada, especially the members of parliament, are expected to base a decision on these things when it is fixed so that at least I cannot believe it, and I think there are a large number of the members of this house in the same position. Anyway, I am

going to say this: on page 16 of the report a quotation by Mr. Power is indicated by quotation marks, and I am going to suggest that that is not what Mr. Power said. When that portion is taken out of the text it changes the meaning entirely.

Some hon. MEMBERS: Order.

Mr. JOHNSTON (Bow River): That is my opinion.

Mr. SPEAKER: I do not wish to interrupt the hon. gentleman, but as an experienced parliamentarian he must realize that reference to evidence which has been taken from its text can only lead to one conclusion, namely, that the royal commissioner has chosen only those statements which he wished to bolster up or to found his report upon. That is an implication of motive; there is no escape from it. The hon. gentleman is implying motives on the part of the royal commissioner.

Mr. JOHNSTON (Bow River): I assure you that I am not implying motives. I might suggest that I feel sorry for him, but I certainly would not imply any disrespectful motives. The word "bolster" has been used here; why should there be objection to it when I happen to use a similar expression? No exception was taken to it then, and I can hardly see how it is fair that exception should be taken to it now. I know that your ruling, sir, is right; I suppose it is, because you are always most fair. Let me go on and quote from page 16. I am referring to the report now.

Mr. HOMUTH: Are you still on that page?

Mr. JOHNSTON (Bow River): I am still on that page. I do not know who put it in here; I must not say who put it in here, but it is quite clear. I quote:

The telegram of October 26 mentioned by General Stuart contains the following: "Consensus opinion that war in far east unlikely at present."

I suppose I shall have to refer to the report again, so that I will turn to page 61 of the report. I fancy I will be correct when I say that here again a partial statement was issued in the report. When a partial statement is taken out of its context and put in as giving a fact and an impression of opinion is based on that portion of the document, it is most misleading. The same words occur at the bottom of page 61. They are called exhibit 45 and they read:

Consensus opinion that war in far east unlikely at present.

Mind you, it says that that is a portion of the ninth paragraph. There were nine other [Mr. C. E. Johnston.] paragraphs at least. Here is just a portion: it is not even a complete sentence. Yet the report has that included as something upon which it bases a finding. The unfortunate part of it is that the whole tenor of the report is blaming the British government because the Canadian government did not get sufficient information from them at the proper time; yet there are only extracts of evidence to prove the point, which is entirely contrary to the evidence. I believe it would be contrary to the evidence if we had the evidence here to examine. Do you see, it puts the members of this house in a terrible position. Without question, anybody who reads this report will be so much confused—and probably that was the intention of it-that he can hardly draw a decent conclusion. I think I would be right if I said-

Mr. ROSS (Souris): Be careful!

Mr. JOHNSTON (Bow River): Yes, I have to be most careful; I dare not even say the report is biased, because that would cast a reflection on the government. Of course they have protected themselves well. I must congratulate them upon having taken such great precautions. It may be the cause of destroying another 1,500 or 2,000 of our men, but that seems a small consideration for protecting a political party. Let me refer again to the report. In my opinion it is shown that the report is not founded on the total facts as presented to the inquiry. Let me refer to page 59 and then leave it to the judgment of the house whether it is biased or not. This page contains extracts of the evidence given by Mr. Cooke and Mr. Lockwood. When we come to speak, as the Prime Minister did a while ago, about reflecting on any individual, may I suggest that this report reflects a greater degree, should I say of dishonour, on an individual than ever I had hoped or expected to reflect on the Chief Justice of Canada. Look at what page 59 of the report says about a good Canadian citizen. I quote:

There is however the evidence of Mr. Cooke and Mr. Lockwood the controller of transport. Mr. Lockwood is a man of immense experience in the shipping business before the war as well as in his present office. Mr. Lockwood says:-

I will just leave it at that. Let us go to page 60 of the report, and I quote from about the middle of the page:

I accept Mr. Lockwood's evidence. I do not accept Mr. Cooke's evidence—

I suggest that that is a definite reflection on that man's character. I continue:

He does not mention that they arrived half an hour, I think it was, before. According to the facts of the case, Mr. Cooke was much more experienced than Mr. Lockwood. Yet the report sees fit to accept Mr. Lockwood's evidence, and does not accept the other. In effect it says that it was not worth considering, that the fellow did not know what he was talking about. Despite the fact that Mr. Cooke was general manager of the shipping company which owned the ship, despite the fact that Mr. Cooke was the man who knew that ship personally, despite the fact that he had loaded ships of that kind before, despite the fact that he was right at Vancouver when the ship was being loaded, despite the fact that he knew everything in detail in connection with the loading of the ship, the report-I still have to use that word-says that this man's evidence was not worth anything. Instead the commissioner takes Mr. Lockwood's evidence, a man who was in Montreal, who was not in Vancouver, a man who had no knowledge of the ship or of its size or of the capacity of its hold-he knew nothing about the thing and had never seen the ship. Yet the commissioner took his evidence in preference to that of Mr. Cooke. Why? Because he was a government official, no doubt.

With these facts before us I say that no good citizen of Canada, no honest individual, could ever accept this report. No one can tell me as a member of this house to vote for the acceptance of a thing like that. I think it is a disgrace even to ask members of this house to vote for its acceptance. The portion of the evidence that is to be found in this report is so contrary to the actual facts that could be found if the evidence was before the house that I doubt whether even the cabinet accepts the report. There are many things in this report which I think even they do not realize.

Let me make a brief reference to water carriers, which are referred to on page 60 of the report. As the hon. member for Weyburn (Mr. Douglas) said a few minutes ago, this part of the evidence was so shockingly crude that it was almost a waste of time to mention it. Here is what the report says on page 60:

The two water tanks are, of course, specially built tanks on a chassis. Whether or not the British garrison had a reserve of these vehicles which were made available to the Canadian force cannot be known. Equally it cannot be known whether the force was able to use ordinary trucks for the purpose of carrying water in some sort of receptacle. In the absence of evidence, I can make no finding as to whether or not the force suffered from lack of these two vehicles.

Hong Kong Inquiry

According to other information I am led to believe that there was other evidence before that commission—

Mr. SPEAKER: Order. I hope the hon. gentleman is not going to infringe upon the ruling I have already given. The evidence that we have before the house is the evidence to which the hon. member must confine himself. I have already ruled that he cannot use evidence other than that which is before the house, and I gather from what he is saying that he is going to contradict a statement in the report by other evidence.

Mr. JOHNSTON (Bow River): I did not intend to quote, Mr. Speaker, from Colonel Drew's letter.

Mr. GRANT: Mr. Speaker, the hon. member has spoken for forty minutes.

Mr. SPEAKER: The hon. gentleman has not spoken for forty minutes. I think he is entitled to some extra time for the number of interruptions.

Mr. JOHNSTON (Bow River): I thank you, Mr. Speaker. I have no intention of frightening hon. members across the way by quoting from Colonel Drew's letter, I see they are quite disturbed whenever I pick it up. I do not see why they should be, if the facts are according to the evidence. Colonel Drew acted as legal adviser on that commission, and I have no more reason to say that the facts as contained in his letter are dishonest than I would have to say that the facts contained in this report are dishonest. Certainly I have every right to weigh the one against the other and decide for myself. But apparently the government have scrutinized Colonel Drew's letter very closely, so I shall not have to explain it to them. But I would ask the government if they are not aware of evidence to the effect that there W9S-

Mr. SPEAKER: Order. It has been decided that the only evidence which can be referred to is the evidence laid on the table. If the hon, member is asking a question of the government as to other evidence, let me say that it would be just as improper for the members of the government to answer that question as it would be for the hon, member to ask it.

Mr. JOHNSTON (Bow River): The government seems to have this thing tied up pretty tight. Let me say this, Mr. Speaker. Having read that report very carefully, and having also read Colonel Drew's letter very carefully, if I had to choose between the two there is no hesitancy in my mind as to which I would accept. It certainly would not be the re-

port, because after visiting some camps in this country and seeing how our troops are being trained, and knowing also how government policy has interfered with the production of war materials in this country, I am well convinced that this whole thing needs a going over. No greater disgrace could be put upon this country, and there is nothing which will interfere more with recruiting, than this very report. I do not know of a single factor which will hinder recruiting in this country more than when the people find out that there was such a dire negligence by the heads of the government-by the Minister of National Defence, who, whether he knows it or not, is necessarily the man who must assume responsibility in this matter.

Take, for instance, the transportation of supplies to Vancouver. I do not think there ever was a greater piece of muddling through than that.

In concluding I am just going to say this. The government have done a wonderful job in tying this thing up so that apparently you cannot talk about the report. You cannot talk about what is in it. Yet the government have a lot to answer for. Theirs is the responsibility for the way in which our war effort is conducted, and it is no wonder to me that they have to go to the aircraft industry to start a campaign of morale building, which is costing them thousands of dollars. You cannot build up morale in that way when you break it down in this way, and these things in connection with this Hong Kong expedition will be more effective in breaking down the morale of this country than anything else you could possibly do, whether intentionally or unintentionally.

Some people may say, why mention this report at all? It is a very insignificant incident compared to what happened at Pearl Harbour. I am not so much concerned about the actual happenings at Hong Kong, although I think it was a deadly and dastardly tragedy. I am concerned to see that it does not occur again, but the government is doing everything it possibly can to tie the hands of this parliament so that it cannot find out the facts and cannot insist that there be a reorganization. I am not suggesting that the govern-ment or the Minister of National Defence should be kicked out, but I urge that there be a definite reorganization of that department, that it is time that some of these fellows who are seventy-eight years old or thereabouts be relieved of their obligations and replaced by men who are a little more active and probably better conversant with situations in war time. Then our war effort will make better progress.

[Mr. C. E. Johnston.]

Mr. SPEAKER: It is reported to me that the hon. gentleman used an expression to the effect that the government had this matter so tied up it could not be discussed. I take that to be a reflection on the Chair.

Mr. JOHNSTON (Bow River): Not at all, Mr. Speaker.

Mr. REID: It was a reflection on the Chair.

Mr. SPEAKER: I point out to the house that we have a motion and an amendment, and the amendment is in express terms. Responsibility for that amendment does not belong to the Chair; it belongs to the hon. member who moved it. The amendment reads:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed. . .

Therefore the debate must necessarily be confined to the terms of the amendment, and only the evidence which is before the house, and therefore in possession of the house, can be discussed. It is absolutely out of order for any hon. member to introduce evidence which he has of his own knowledge and which is not before the house. I do hope that I shall not have to intervene so frequently as I have done.

Mr. BRUCE: Mr. Speaker, I rise to a point of order. Apparently the hon, member has been quoting from a letter which was sent to the government. Some time ago in this house the hon, member for North Battleford (Mrs. Nielsen) was required to lay on the table a letter under similar circumstances. I ask that the hon, member lay on the table of the house the letter from which he has been quoting this afternoon.

Mr. JOHNSTON (Bow River): I will do that with pleasure.

Mr. SPEAKER: The hon. member may have been quoting a letter. I do not know what he is quoting from. But he is quoting evidence from some document which is not before the house. The hon. member cannot lay that on the table of the house.

Hon. J. L. RALSTON (Minister of National Defence): Mr. Speaker, first let me join with some other hon. members in expressing deep regret that this matter has had to be brought up again, in the light of the fact that there are still very many anxious homes throughout Canada. I do not object to its being brought up from the point of view of public policy, or of departmental administration, or of an examination of the work and efforts of the government, but I could have hoped that it would be possible to have curtailed the debate and not to have gone into a good many things which, it seems to me, will raise doubts in the minds of those who have already their own anxieties and whose concern will be increased by what has been said here. I want to reassure them, in the words of Mr. Churchill, that the Hong Kong expedition from Canada was an undertaking which accomplished, in part at least, the purpose for which it went, namely the gaining of valuable time. As Mr. Churchill said in his speech in the British House of Commons, not only was the heroic defence of Hong Kong beyond price as an inspiring example of valour and devotion, but it also gained a footing in precious time; and further on in his speech he said:

Whether or not it may prove to have rivalled in that respect the decisive achievement of our forces in Crete, the invader would have gained vital days, if it had been decided to yield the colony without a struggle.

When I am dealing, as I shall in a few minutes, with the matter of the authorization of the force, I should like hon. members and the people of this country to understand that at the time the expedition was authorized the government had very much in their minds the request of the British government and the desire that the force should be got off promptly. That desire, and satisfaction at our having complied with that request, are expressed in the telegram of October 30, which appears in the report of the commissioner, in which it is said, as to the dispatch of the force at the time it was sent, that the moral effect of its arrival in November would be much greater than it would be two months later. That was one of the reasons for getting the force off promptly, and it may explain to some extent some things to which hon. members have referred, and to which they have a perfect right to refer, which are found in this report.

Let me go back now to the inception of this matter. I made a statement in the house, I believe on January 21, 1942, the last day of last session, upon matters which had come to my attention, because I thought the house was entitled to have information as quickly as I could give it. The leader of the opposi-tion (Mr. Hanson) accepted it at the time, but having considered it further he indicated next day that he had some doubts about it. I believe he characterized it as a subtle statement. I want hon, members to look at the statement which I made and the facts which have come out since and form their own conclusion as to whether the hon, gentleman was justified in so designating it. He referred to that report and suggested a parliamentary

Hong Kony Inquiry

inquiry. It was intimated that a parliamentary inquiry would be granted. Later, a discussion was had, with the result that the Right Hon. Sir Lyman Duff was appointed a royal commissioner, with the consent of all concerned, and acting alone, to consider and take the evidence in connection with this matter and to make the fullest possible inquiry.

Mr. HANSON (York-Sunbury): It was to be a public inquiry.

Mr. RALSTON: As was indicated by the Prime Minister (Mr. Mackenzie King) at the time, the question as to whether the inquiry should be held in camera or in public was a matter wholly for Sir Lyman Duff. As will appear from *Hansard*, February 19, page 704, the leader of the opposition had been asking whether it would be in camera or not. The Prime Minister indicated that he had no information at that time. The leader of the opposition intimated that he had just had information from the chief justice that it would not be held in public, and asked if that was correct. The Prime Minister said:

I assume it is, too. Neither of us apparently is aware of the facts. However, at the time I asked the chief justice if he would undertake the inquiry I gave him the assurance that the government would not wish to restrict him in any particular, and that it would be for him to decide how the proceedings should be conducted, what assistance he would require in connection with the conduct of the proceedings, and in fact all matters with respect to the commission. I assume if the chief justice has decided to hold the sittings of the commission in secret, as was the case with the United States inquiry into conditions at Pearl Harbour, he has evidently had the best of reasons for so doing. I do not know that I can say more than that.

There was an indication which apparently came first to my hon. friend that the commission was to be held in secret. May I say to the house—

Mr. HANSON (York-Sunbury): May I interrupt?

Mr. RALSTON: Certainly.

Mr. HANSON (York-Sunbury): I do not wish to interrupt the minister and this will probably be the last time, but did I not indicate that I thought there was a large body of evidence which ought to be made public?

Mr. RALSTON: I will read what my hon. friend said in that connection.

May I add that certainly there are some portions of the evidence to be adduced which would be, in my judgment, of a confidential nature; but there is a large body of evidence which will be produced before the commissioner which, in my view, should be made in public, in the public interest, and especially that part relating to the sending of untrained men overseas, and the action of the department and the government in the premises.

The Prime Minister replied. The commissioner was given the fullest possible powers. He alone was the one to determine how that commission should be conducted, and he alone-I say this advisedly-decided that that was the way in which it should be carried on. Someone quoted this morning from the debate on the Dardanelles report. Hon. members will find there a very apt expression with regard to the holding of inquiries of this kind. The point is made that it is difficult to determine at which stage of the evidence secrecy should end and where evidence can be given publicly, because if you have constantly to be changing back and forth, closing the court for five minutes to take this portion of evidence, and opening it again for other evidence, you have a very cumbersome way of proceeding, and it would take not only time but, I should think, a good deal of diligence and acumen as well to determine off the bat what part should be held in secret and what part in public. Therefore I think it is one of the commissioners in connection with the Dardanelles report who refers to that kind of inquiry as a checker-board investigation; you are on the white square one minute and on the black square the next, and it is absolutely impossible to hold an inquiry in that way. I presume that was one of the considerations which influenced his lordship the chief justice to make the ruling that the inquiry should be held as it was. That ruling was public. It appeared in the Ottawa Journal of March 2, the first day that the inquiry was held. I quote:

Hearings of a royal commission appointed to inquire into circumstances surrounding dispatch of the Canadian contingent to Hong Kong opened to-day with Chief Justice Sir Lyman P. Duff presiding as royal commissioner. The sessions are closed to the public and press and no statement on their progress is expected immediately. Hearings originally were scheduled to start last Wednesday but were postponed until to-day because of the illness of Lieut.-Col. George A. Drew, counsel for Conservative house leader Hanson. Mr. Hanson was one of several opposition members of the House of Commons who requested an investigation of the Hong Kong expedition after defence minister Ralston disclosed that a small percentage of the troops comprising the contingent had less than prescribed army training.

Prior to that a statement had been made which appeared editorially in the *Globe and Mail* of February 26, 1942, from which I shall read only a part. I quote:

In view of the nature of the inquiry and the extent to which details of production, organization, transport and kindred matters are likely [Mr. Ralston.] to be produced in evidence, it is obvious that the public cannot possibly be admitted. In order that the commissioner may write a just account of the episode, placing blame where it is due, and exonerating those who have been unreasonably blamed,—

White-washing some would call it.

—and attributing to material factors their proper share in producing the final result, it will be necessary for him to hear many things which the enemy would like to know. It is therefore not merely justifiable but imperative that the evidence be heard in secret.

That is from the *Globe and Mail*. Perhaps it would be well for me to read the whole of this, because it bears out what I am saying:

In acceding to the opposition's demand for an inquiry into the Hong Kong episode, the government has shown good faith. Fair-minded people will be impressed by the fact that Mr. King has entrusted the investigation to an absolutely non-political tribunal, when he might quite easily have appointed a parliamentary commission, weighted down by members of his own party following. The commissioner will be no less a person than the Chief Justice of Canada, Sir Lyman Duff, whose intellectual powers and objectivity of mind are universally known and respected. Sir Lyman Duff has appointed as counsel for the commission an outstanding lawyer, in the person of Roy Kellock, K.C., who enjoys the respect and confidence of his own profession, and whose work in connection with this inquiry will undoubtedly establish him in the public esteem. So careful has the government been to avoid any suggestion of political white-washing that it has recommended Mr. George E. Campbell, K.C., of Montreal, one of the leaders of the Quebec bar and a well-known Conservative, to be counsel for the government. The commissioner has approved the choice and appointed Mr. Campbell to represent the government, thereby assuring a statement of the government's case on its merits, and free entirely from political considerations. The entirely from political considerations. The entirely from political considerations. The entirely from political considerations.

The personnel of the commission offers, of itself, every possible guarantee that the inquiry will be thorough, competent and unbiased, and the public need have no anxiety on that score. Nevertheless, the investigation into the Hong Kong episode is not being conducted for the benefit of the government or of the army. The commission was appointed under the Public Inquiries Act, and the commission's findings will be available to the people. In these circumstances, it might be wise for the commissioner to admit the press and the public during the opening stages of the investigation when the terms of reference are discussed, the scope of the inquiry defined, and witnesses named by the various counsel who wish to cross-examine them. In this way the public not only may be satisfied that the inquiry will be impartially conducted and competently managed, but will also know that its scope will be broad enough to include all relevant matters which must be considered when formulating future policy to prevent the repetition of costly mistakes, if it should be found that mistakes were made.

That was followed by an order in council which has already been tabled. Then there was an editorial in the Montreal *Gazette* of February 23, 1942, as follows:

February 23, 1942, as follows: Conversion of the parliamentary inquiry into a tribunal hearing, first suggested in these columns a month ago, has met with the approval of all. The presiding judge, Chief Justice Sir Lyman P. Duff, has the complete confidence of the nation. His decision to hold the inquiry in secret—Prime Minister Mackenzie King made it plain on Friday that the decision was Sir Lyman's, not the government's—is obviously wise; he will now be able to demand access to all the facts, including those which military necessity must conceal from the public gaze.

That was the way in which the appointment of the commission was received, both as to its personnel and as to the decision to hold the inquiry in secret. Following that, an order in council was passed, as the Prime Minister says, at the request of the chief justice himself, in order that he might have power to enforce the orders he made as to the secrecy of the hearings. The order in council appears at page 4254 of *Hansard*. It was given the other night. On page 4255 the chief justice himself is quoted as having said:

I think it desirable, also, to state formally, for the purpose of the record, that this inquiry has from the beginning been held in camera and is, and will henceforth be held in camera. That imports, it is perhaps unnecessary to say, the duty on the part of everybody present to preserve secrecy as to the testimony given, documents produced, and all other evidence placed before the commission, as well as the duty on the part of all persons not knowingly to infringe upon such secrecy.

These were the conditions under which the evidence was given, and they were the conditions under which counsel took part in the inquiry at that time. Previously to that, commission counsel had appeared at the Department of National Defence and had been given every document which was available and which was relevant in connection with the inquiry.

They had full opportunity for two weeks to examine those documents, and during a good deal of that time they had the assistance of officers of the Department of National Defence. The hearings were held, as the report indicates, on twenty-two different days, and the evidence covered more than 2,200 pages. Then April 20 was fixed as the date for the presentation of written argument, but because of the illness of one counsel argument was not presented until May 18. Finally oral argument took place, at which all counsel, whoever they might be, had the fullest opportunity to present their views to this impartial commissioner, who is referred to in these editorials and whose appointment I know met with full acceptance at the hands of the nation generally. Then on June 4, after those arguments were presented, after every possible scintilla of evidence had been discussed, the report was presented; but because of the fact that it contained findings which do not suit certain people in this country, an attack, veiled perhaps but in effect direct, has been made upon the Chief Justice of Canada.

I want to say to you, Mr. Speaker, that the statement made this morning by the hon. member for Vancouver South (Mr. Green) to the effect that the appendix was drawn to justify the report, that of the entire evidence only such parts as bear out the conclusions were quoted, is as untrue as it is unworthy of an hon. member of this house.

Mr. GREEN: Mr. Speaker, on a question of privilege, I think if the minister will read over just what I did say he will find that he has misquoted me very seriously, and I ask him to withdraw his last statement.

Mr. RALSTON: I will withdraw my last statement if I incorrectly apprehended what my hon. friend said, but I thought I had taken it down correctly, that of the entire evidence only such parts as bear out the conclusions were quoted. Let me point out to my hon. friend that this morning his whole case was based not on evidence in favour of the government but on evidence which he cited from the report as bearing out his contention that certain things were wrong with the Department of National Defence. If the commissioner had seen fit to quote only such parts of the evidence as suited him, or as would bear out his conclusions, my hon. friend would have no record with regard to Bren guns not having been fired, or two-inch mortars not having been fired, or anything about training. That is all in the report which my hon. friend and his friends are saying is not a correct abstract of the evidence that was given. I say I do not think this country will give a good reception to any suggestion that the Chief Justice of Canada, who is really the first citizen judicially, than whom there is no higher judicial officer on the north American continent, a gentleman who has made a reputation not only for himself but for Canada as a judicial officer, both here and in the old country, has quoted only certain portions of the evidence in order to bolster up his own findings. Sir Lyman Duff's reputation needs no defence at my hands; and when the hon. member for Bow River (Mr. Johnston) sets up his judgment as to what should be the effect of certain documents, I would rather take the judgment of a gentleman who has occupied a judicial post for forty years, who is accustomed to judging evidence, accustomed to weighing words, a man who in thousands of cases has

had to look at documents, a man who for nine years has occupied the position of Chief Justice of Canada, a man who is impartial, a man who would not do what my hon. friend has done, quote part of the evidence and not the rest of it, in support of something he is alleging against somebody else. I say the people of Canada generally will say that he was a commissioner who took into consideration all the evidence; and time and time again in his findings he says, "On all the evidence I have this to say," not simply on the evidence which was quoted in the appendix, but on all the evidence. I believe the people of Canada generally will say, "Here is a gentleman who has looked at all the evidence, who has heard everything there was to be said"-and I have no doubt there was a good deal said by the gentleman who was nominated at the instance of the leader of the opposition-"and who comes from the inquiry room and says this is his report, this is his judgment with regard to the effect of these documents." I believe the people of Canada will accept that rather than the judgment and opinions of hon. members and some others who, because they are disappointed with the findings, find it necessary to criticize the report.

My colleague the Minister of Justice (Mr. St. Laurent) has just referred me to an editorial which appeared in the Quebec Chronicle-Telegraph, of which I had heard but which I had not seen. The editorial states:

The report of Sir Lyman Duff, Chief Justice of Canada, who has been investigating the illstarred Canadian expedition to Hong Kong, will be received with grateful appreciation but with little surprise here in Quebec, the home city of the Royal Rifles of Canada. The Montreal Gazette, which still tries to make up for lack of circulation in its own vast field by "raiding" other communities, may believe it is rendering national service by rejecting the report and by casting doubt on the ability, if not on the good faith of the distinguished investigator but we doubt whether it will induce many people to take the same view.

The fact that the cadres of the Royal Rifles and of the Winnipeg Grenadiers were filled up at the last moment and that part of the equipment of this expeditionary force never reached its destination called for critical scrutiny in order that any possible weakness in our military organization might be uncovered and corrected. This was recognized by the government which agreed to the appointment of a royal commission at the head of which no more authoritative and experienced presiding officer than the chief justice could have been placed. The commission has done its work without any outside interference and Sir Lyman declares himself to be satisfied with everything that was done except for a certain lack of energy in the quarter-master's department and for the re-routing of a ship carrying Canadian equipment by the United States navy. He adds, in fact, that Canadians can and should be very proud of the

[Mr. Ralston.]

force which it properly dispatched to Hong

Kong at the request of the British government. There is no uncertainty, reserve or qualification about the Duff findings and it is not apparent what purpose, other than a political one, can be served by trying to go behind it or to appeal from it. Heaven knows the King govern-ment has many things to answer for but we have never thought that either it or our high army command was seriously at fault in this particular instruction. particular instance. Our men did their best and are prisoners of war: let us then be proud of them, as the chief justice bids us be, with a pride untroubled by suggestion of scandals that we have assurance on the highest and most competent authority possible are non-existent. In so far as the Royal Rifles of Canada are concerned, every Quebecer is thankful to Sir Lyman Duff for his complete and ringing vindication of their battle worthiness.

This will be my last reference to the commissioner, Mr. Speaker, except in connection with one other matter; but I think when we get past the tumult and the shouting with regard to this incident-an incident which I regret as much as if not more than any man in this house or in this country-we shall have reason to be thankful for the courage of a man like Sir Lyman Duff, who did not have to take on this job but who did so because he believed it was a matter of public duty and public service; a very exacting duty, concerning which there was no exhilaration whatever. He did not flinch from the work and the trouble involved, because I am sure he believed that at this time it was necessary in the national interest that he should do whatever he was asked to do, in order to see to it that the public administration was carried on in the very best manner possible. The report comes in after all the witnesses have been heard and all the documents have been examined. Those witnesses were presented by his own independent counsel, nominated by him, not nominated by the government-Mr. Kellock and Mr. Fowler, who had no connection of any kind or description with the government. They are the ones who presented and prepared this evidence, which I submit, was open to the fullest examination by counsel nominated by my hon. friend. And do you know what he was nominated for?---to assist the inquiry, according to the report. It was open to him to examine those witnesses, present any other witnesses, and present any other documents, as it was open to counsel for the government.

After that was done, this report of the commissioner was made, which is the subject of discussion this afternoon. Someone said it was a short report. For myself, I thought it was quite long. I would think there was nothing very sketchy about it. The report, proper, is only eight or nine pages, and there is a suggestion that the appendix is something

else. But may I point out that the original appendix is signed at the top and at the bottom by the commissioner—or it is in the original. The signature is not reproduced here. The commissioner in two different places in his report indicates that the appendix is part of that report.

This is what he says at page 3:

In this, my report proper, I am stating my principal conclusions touching these matters, together with some salient facts. A full statement of the facts and a full discussion of the evidence appear in the appendix hereto which is to be considered as part of my report.

Could anyone think the appendix is something other than the report? Of course it is not.

Mr. HANSON (York-Sunbury): Who wrote the appendix?

Mr. RALSTON: I would assume the Chief Justice of Canada did and I say to my hon. friend that to suggest anything else is unworthy of him.

The report is clear-cut; the report is vigorous; the report deals with the different points which were raised, which have been raised this morning and which were raised before. The hon. member for Lake Centre (Mr. Diefenbaker) read Mr. Churchill's criticism this morning with regard to a report which had been put together, as was said, by pieces of evidence. He did read the statement which Mr. Churchill made, and that was that Mr. Churchill gave credit to the commissioner for having earnestly desired to be fair. I thought I found the hon. member for Lake Centre making those words his own with regard to this report-a little grudgingly perhaps and a little haltingly. I thought perhaps my hon. friend might have gone farther than that. If he will read the record of the Dardanelles report he will find that that report was criticized as a report—that the findings were criticized, not the facts themselves. There never was any suggestion that the commissioners were other than perfectly fair and unbiased. Indeed, there was no reflection of any kind on the commissioners or on the commission. That was a very different situation from the one which has existed in this house this afternoon and this morning.

Someone made mention of the Roberts report. I think it was the hon. member for Lake Centre who mentioned it, and who intimated that the Roberts report did not quote any documents. It was, he said, simply a statement of facts, without any reference to evidence at all. The question was: Why was not this report made in the same way, and no evidence cited at all?

Well, I hold in my hand a mimeographed copy of the Roberts report. I do not know whether the paging on my copy is the same 44561-303¹/₄ as that in the original. But I would point out that at the end of page 5, a letter of January 24, 1941, is cited in part—yes, if you will believe me, in part. That is in the Roberts report which is represented as the way in which reports ought to be made. The statement is:

The writer stated: "If war eventuates with Japan, it is believed easily possible that hostilities would be initiated by a surprise attack upon the fleet or the naval base at Pearl Harbour."

Then it quotes another phrase which is used separately altogether, and then it gives a long extract from a letter.

Then at page 9 the commissioners take a similar course, although there is the contention here that that report did not quote documents. At page 9 there is a quotation from a bulletin of December 1, 1941. That appears in the Roberts report itself. At page 11 standing operating procedure is cited and quoted in the Roberts report. Then there is another quotation on page 7 of something else. From time to time through the report there are quotation marks to indicate that quotations are being made from documents.

I do not know what those who are lawyers have in mind when they suggest that a judgment must contain all the evidence, or none of it. It seems to me that barristers and lawyers in this house must recognize that not a day passes in which judgments are not handed down which contain statements of certain parts of the evidence, without quoting the whole of it. Those quotations are taken out of the context, if hon. members wish to use that phrase. But in those judgments quotations are made of part of the evidence;, and then the judgments go on to give their conclusions with regard to that evidence. It would be hopeless if a judge in his judgment, in order to justify his judgment, had to put down in it every word of evidence. The chief justice has done here exactly what he has been doing in the last forty years, and has quoted the evidence which he thought was relevant in connection with particular facts. He has put them in here.

He will say, I am sure, that if you do not think that the evidence before us bears that interpretation, that there is some other interpretation could be placed upon it, that is a matter for this parliament and house to discuss. He does say that in certain documents there is nothing to indicate evidence which would justify the Canadian government in altering its decision and withdrawing its commitments. That is the finding of a man who knows what words mean. That is the finding on the evidence. That is the finding by a man

who has read all the evidence and the documents. I do not think that even the opinions of the hon. member for Bow River would be accepted as to the construction of documents, in preference to the opinion of the Chief Justice of Canada, who happened to be the commissioner in this case.

So much for the report, and for the matter of secrecy, and the matter of the citing of the evidence. Surely from the statement made by the hon. member for Vancouver Centre (Mr. Mackenzie)—

Mr. GREEN: Do not get me mixed up with him.

Mr. RALSTON: I should have said the hon. member for Vancouver South (Mr. Green). Surely from the statement made by the hon. member for Vancouver South there is enough for us to discuss, and I am perfectly ready to discuss those matters with which he has dealt.

First, with regard to the matter of authorization of the expedition, I find this at page 4 of the report:

Since however I am required to pass upon the question, it is my duty to say that I have no doubt the course taken by the government was the only course open to them in the circumstances.

After examining all the evidence bearing on that question, the commissioner says, at page 18:

Thus, after examining all the evidence bearing on the question of the authorization of the expedition, I can find no dereliction of duty or error in judgment either on the part of the government of Canada or of its military advisers, in the decision to accept the proposal of the United Kingdom to send a Canadian force to Hong Kong, and the dispatch of the force pursuant to that 'decision.

That is the situation with regard to authorization. I know many hon. members have been good enough to read the report, and I apologize for going over it again. But at the same time I want to show on the record some connected recital of the events which took place. The authorization of the expedition begins with a telegram of September 19 from the British government. The commissioner is not permitted to reproduce that telegram, and I am not permitted to say what was in it. But that telegram is indicated by the action which was taken and the considerations which actuated the war committee—

Mr. JOHNSTON (Bow River): What is the .date?

Mr. RALSTON: September 19. It is referred to on page 3, I believe, at line 25. If I happen to refer to the line number, I am [Mr. Ralston.] considering these pages as having fifty-five lines, in order that one can easily tell about the position on the page from the line number which I give. The telegram from the British government was dated September 19, and the meeting of the war committee was held on September 23. The war committee considered the matter, and after consideration and discussion a decision was reached that the request of the British government should be acceded to, but in view of the importance of the matter they did me the compliment and courtesy of deciding that I be consulted, that my reaction be obtained, and also, of course, that the chief of the general staff be consulted.

Here were the considerations, and I want the house to think of these when they are judging what they would have done under the circumstances. As appears from my own evidence, in my humble judgment it was Canada's turn to help. The other dominions of Australia and New Zealand had been in Abyssinia and Libya, and I am not sure whether I knew at that time that Australia had been in Singapore.

Mr. MacNICOL: And South Africa.

Mr. RALSTON: It seemed to us that Canada ought to take some share in the garrisoning of the Pacific. I do not think the hon. member for Vancouver South will disagree with that. Australia was assisting in Malaya. It was apparent that the military value of sending two battalions to Hong Kong would be out of all proportion to the numbers involved. It was apparent also that our doing that would have a great moral effect on the far east in more than one way. It would reassure China of Britain's determination to hold Hong Kong if possible. At the same time it did appear-and there were reasons for that-that this very act of increasing the garrison at Hong Kong at that time, even by that small force, might act as a deterrent upon Japan at a time when the situation needed something of that sort. Further than that, it appeared that time was all-important. I knew, and I think it was a matter of common knowledge, that the United States were none too ready to come into the war at that time and that if Canada could deter Japan, even by sending this small force, it was to the advantage of everybody that we should do it. Those were some of the considerations which the war committee had in mind.

I say to you, Mr. Speaker, that it was not just a simple matter of making a haphazard decision; it was a case of deciding something the importance of which was regarded as being

away out of proportion to the size of the force which would be involved. After I had made my statement, the leader of the opposition rather indicated that he thought and that others thought this was the time when we could not choose to withhold this or withhold that when so much was at stake. Therefore the matter was sent to me-I was away at the time in Los Angeles-and I considered it. I called up the chief of the general staff because I realized that military considerations were involved as well. I learned from the chief of the general staff, as appears from a citation from his memorandum given on page 13, that he had definitely recommended that the Canadian army should take this on. I approved the matter on that basis and I advised my colleagues. Later we advised the United Kingdom on September 29.

Remember, Mr. Speaker, that this was at a time when we had not anything from the United Kingdom as to how quickly this force was needed. All they were asking us was whether or not we could supply two battalions, and they were giving us reasons why we should. A couple of months previously, General Crerar, as appears in the report, had a conversation with General Grasett, who had been commander in chief at Hong Kong for two years. General Crerar's evidence with regard to this appears on page 14, line 6, and reads:

So far as general military situation at Hong Kong and prospective problems of its defence against attack were concerned, I had had long discussions in Ottawa, in July or August, 1941, with Major-General Grasett, who was passing through Canada on returning to the United Kingdom and who, until that time, had been commander-in-chief, China command (Hong Kong). Major-General Grasett had filled the appointment of commander-in-chief at Hong Kong for some two years, and until his departure for the United Kingdom had been responsible for the organization of the defences.

Note that, "filled the appointment of commander in chief at Hong Kong for some two years, and until his departure for the United Kingdom had been responsible for the organization of the defences". He was then on his way to the United Kingdom, and that was in July or August, 1941, two months before this request was made. I continue:

In his verbal appreciation of the military situation confronting the Hong Kong garrison in the event of war with Japan, Major-General Grasett informed me during our conversation that the addition of two or more battalions to the forces then at Hong Kong would render the garrison strong enough to withstand for an extensive period of siege an attack by such forces as the Japanese could bring to bear against it.

General Crerar proceeds:-

It is evident that Major-General (now Lieutenant-General) Grasett presented the same views to the war office and to the chiefs of staff committee on his return to London, that this appreciation of the situation at Hong Kong, with the need for two additional battalions, was accepted in London and that the request to Canada for the provision of these additional troops immediately followed.

As is well known, Hong Kong has been an outstanding fortress of Britain for a generation. It was a fortress with regard to which studies had been made by all military men. General Crerar in addition had the advantage of this first-hand discussion with the man who had been actually in command at Hong Kong within two months before the expedition was asked for. The general situation at that time is stated on pages 16 and 17 of the report. It is easy to be wise after the event, and I do not say that sarcastically at all. One of the most difficult things, I would imagine, that staffs and those who are directing operations in this war have had to deal with is the possibility of making any reasonable forecast of what will take place. I feel that the house, and perhaps the country, do not realize that we have to get back to conditions as they existed in October, 1941, and not to conditions as they exist to-day or after Pearl Harbour. A passage in Mr. Asquith's speech in connection with the Dardanelles report, in Asquithian English but tremendously impressive, helps me to make that point. He said:

It is so easy to make war after the event. Nothing is easier in the world; I can do it myself. It is easy to make war after the event either in the House of Lords or anywhere elsewhen all the doubts and uncertainties and possible contingencies of an undeveloped future are translated into the rigid lineaments of accomplished facts. What you want in dealing with a situation of this kind is a little imagination and perspective, and to put yourself into the position—the actual position—of the men who were dealing on the spot, and at the time, with all the uncertainties of the future in what was going on, and what was likely to happen.

Here was the condition as it appears in the report at the bottom of page 16:

There were, moreover, solid military grounds for a conclusion that even in the event of hostilities the situation of the expeditionary force would not be a hopeless one. The discussion of the military situation at Hong Kong between General Crerar and General Grasett in the late summer of 1941 has already been mentioned. In the third week of September the information thus gained by General Crerar as to the actual military situation in Hong Kong was, excepting the information conveyed in the telegram of September 19, the latest and most authoritative information on that subject available. It was confidently expected that, in the event of war, the British commonwealth would have both the United States and China as active allies. The American Pacific fleet was concentrated at Honolulu and British naval forces in the far east had recently been strengthened by the addition of the battleships the *Prince of Wales* and the *Repulse*. Japanese forces operating along the Chinese coast

adjacent to Hong Kong were constantly harassed by Chinese troops. In the event of a Japanese attack on Hong Kong it was considered reasonable to expect that the garrison could be relieved or evacuated from the sea by use of combined British and American naval forces. It was also not unreasonable to expect some assistance from the landward side by the Chinese forces. A telegram from Canadian military headquarters in London, dated October 26, 1941, stated that the Chinese government had undertaken to attack the Japanese in the rear of Canton if the Japanese attacked Hong Kong, and were prepared to use ten divisions for this effort. Canadian troops would not, therefore, be placed beyond any possible hope of succour. The losses subsequently suffered by the American fleet at Pearl Harbour on December 7, and the loss of the Prince of Wales and the Repulse on December 8 radically altered the situation and gave to the Japanese. The possibility of early relief or evacuation of Hong Kong by sea disappeared.

That was the situation with which we were faced at that time and I want to ask anybody in this house could he have foreseen, or does he think he could have foreseen at that time, that on December 7, three weeks after that force reached Hong Kong, Japan would attack Pearl Harbour and the flames would be lit in the far east?

Mr. HANSON (York-Sunbury): May I ask the minister whether he will give consideration in the course of his remarks to the sentence which is found on page 17 of the report, reading as follows:

I am satisfied that nothing occurred between September 29 and October 27-

September 29 was the date on which the decision was made to send the expedition, and October 27 was the date on which it sailed.

I ask the minister that in the light of the information which he himself has.

Mr. RALSTON: My hon, friend will realize that I was not here from October 9 until November 4 or 5.

Mr. HANSON (York-Sunbury): I think that is quite true, but I am asking what he knows about that.

Mr. RALSTON: I will deal with that in just a moment.

Mr. JOHNSTON (Bow River): May I ask the minister to connect up the sentence he has just quoted, "Canadian troops would not, therefore, be placed beyond any possible hope of succour" with the statement on page 16 where Major Power is quoted as having [Mr. Ralston.] said: "If war broke out with Japan the Canadian forces in Hong Kong would be in a very difficult position".

Mr. RALSTON: I do not think it has to be connected up with the statement by Major Power.

Mr. JOHNSTON (Bow River): I understood the minister to say that it would be difficult for anyone at that time to foresee that there would be a difficult situation in the far east.

Mr. RALSTON: What I asked was, could anybody in this house foresee at that time that there would be an outbreak of hostilities with Japan as early as December 7? The passage I read was to the effect that it was not unreasonable to expect assistance from the Chinese, that we had had a message from the Chinese that, if the Japanese attacked Hong Kong, the Chinese would attack in the rear, and might use ten divisions for this effort. The British and United States forces at that time were still extant. The Prince of Wales and the Repulse were still there, and the statement is, and I think it would be the judgment formed by members, that if the Canadian forces were attacked at that time they would not be placed beyond any possible hope of succour. Major Power's statement was:

If war broke out with Japan the Canadian forces in Hong Kong would be in a very difficult position.

Nobody suggested that they would not, but they would not be beyond any possible hope of succour. The reason was that the Chinese would be assisting in the rear, and there was also the possibility of evacuation by British and United States naval forces or of reinforcements, whichever might come. But Pearl Harbour on December 7 and the loss of the *Prince of Wales* and the *Repulse* on December 8 changed all that. It was a very different situation on December 8 from what it was when the war committee sat on September 23 and decided to send this expedition.

The information which the government has is referred to on page 17 and also on page 4, and that is where my hon. friend clashes with the commissioner with regard to information. I am saying that the commissioner had before him all the messages which were produced by his counsel at that time; that he had full opportunity for examining and reading them; that he had Mr. Drew's suggestions; that the change of government in Japan bringing into power a government notoriously sympathetic to the axis powers had taken place, and with all this before

him the commissioner comes to the conclusion which was read by the hon. leader of the opposition a few moments ago, in these words:

I am satisfied that nothing occurred between September 29 and October 27 that would have furnished any cogent reason for the withdrawal by Canada of the responsibility she had accepted.

Some communications between the government of Canada and the government of the United Kingdom were placed in my hands for my personal perusal. I am at liberty to say that there is nothing in these communications which in my opinion invalidates this view.

If my hon. friend wants my own opinion, I am of exactly the same opinion as the commissioner. My hon. friend and other people may differ, but that is the finding by the commissioner who, as I have said before, knows about the weighing of evidence and knows all the issues involved, and who has before him the contention that Mr. Drew makes; and the commissioner comes to the conclusion I have just quoted and states it in two different places in his report, at pages 4 and 17.

Mr. HANSON (York-Sunbury): May I venture to ask the minister one more question? He says he agrees with the statement of the commissioner that there was nothing to justify withdrawal. May I ask him if there was not something which would justify reconsideration?

Mr. RALSTON: What does my hon. friend mean by reconsideration? That is what I fail to understand. Time and again there is talk of reconsideration. It must be for only one purpose, and that is to quit on the job we have undertaken. I want to know whether my hon, friend or any other member of this house thinks that after having undertaken what we did, the change of government in Japan should have altered our decision in that respect, or should it not rather have called for the most supreme effort and energy on our part to see if that force could not be gotten through just that much quicker in order to see if we might deter Japan and exercise that moral effect which the British wanted to see exercised? There would have been a question mark in the minds not only of the people of Canada but all over the world if we had refused because of a change of government in Japan, and it had come out that we had refused because there might be some risk of fighting. They would have said: The Canadians are quite ready to send their soldiers so long as there is no risk. The Canadian detachment was going as a garrison to Hong Kong, and a garrison means a force prepared to fight if necessary. That is exactly what that Canadian force was going for. The question was whether or not it would be sent immediately, whether or not there might be either a

deferment or possibly a change in the situation. I say that to suggest that there should have been reconsideration meant in effect quitting on the job.

Some hon. MEMBERS: No, no.

Mr. HANSON (York-Sunbury): A review of the whole situation.

Mr. RALSTON: It meant quitting on a job which we had undertaken, and the people of the Dominion of Canada would not have stood for it, neither would my hon. friend. He would have been the first to have said, supposing Pearl Harbour had taken place and he had discovered we had been asked for two battalions, with the suggestion that they would have a great moral effect in the far east, "Why at least did you not try it?" Did the Australians quit in Libya? Did the New Zealanders quit in Crete, although there was some risk there? The Canadians were not going to quit at Hong Kong either.

Mr. HANSON (York-Sunbury): In justice to myself I should like to say that I made no suggestion of quitting. I made a suggestion of reviewing the position.

Mr. RALSTON: That is the same thing.

Mr. HANSON (York-Sunbury): Not at all.

Mr. RALSTON: There has been a lot of talk of that kind. It is to that I referred when I opened my remarks. I deprecate the practice of creating doubts in the minds of the people who have members of their families over there, causing them to wonder whether it would have been better had they not been sent. I say that every man in this house, my hon. friend included, would have done exactly what the Canadian government did. They would not have hesitated a single instant, because quick action was regarded as all important.

Mr. HANSON (York-Sunbury): I would have tried to see that they had their equipment.

Mr. RALSTON: I will deal later with the matter of equipment. Do not let us get this question of equipment tied up with that of authorization. Let me pause to say that they had their equipment and they had it in full except for three things: anti-tank rifles, which could not be got in this country, 2-inch and 3-inch mortar ammunition, which was being supplied by the British, and not another item of equipment was short except the matter of transport.

So much with respect to the matter of authorization. I submit that the people of Canada, however much they and we all deplore

the situation which arose in Hong Kong because of the overwhelming forces of the enemy, will agree that the Canadian government should have undertaken that commitment and should have carried it through.

I come now to the matter of the selection of the force, and in connection with that, to the references my hon. friend made to the matter of training. I want the house to recall exactly what the situation was in 1941 with regard to the army programme this country had undertaken. At or about that time it had fulfilled the heaviest overseas army programme which it had ever undertaken in its history. It had undertaken to supply corps troops in thousands, and had done so. It had undertaken to send a third Canadian division overseas, and had done so. It had undertaken to send an armoured division and it was in process of doing so; I believe the last units went the week after the Hong Kong expedition. It had undertaken to send an army tank brigade, and had done that also. In 1941, up to about the first week of November, something like 62,000 men were sent overseas from this country. On September 19, there came the urgent and immediate call, an unexpected extra in connection with our commitments and the other undertakings which we had made and which we had performed. What was to be done?

As I say, the chief of the general staff recommended that Canada should take this on. I approved it. The war committee approved it. I believed the country would approve it. The question was what bat-talions to send. The chief of the general staff went over the situation, and his was not any haphazard decision. On September 30, as will be observed on page 19 of the report. there was a recommendation of the chief of the general staff, that he had considered the various battalions which were available for this purpose, two battalions which had to be sent after the tremendous strain there had been on Canada's army effort in 1941, when as everybody knows, equipment was just getting rolling. We took it on and we were going to see it through. Here is the recommendation of General Crerar, a man who had thought over the situation pretty carefully. It is addressed to the minister:

^{Dursuant} to the recent decision of the government to dispatch two rifle battalions to Hong Kong, I have given consideration to the selection of the units for this duty.

2. As these units are going to a distant and important garrison where they will be detached from other Canadian forces, a primary consideration is that they should be efficient, welltrained battalions, capable of upholding the credit of the dominion in any circumstances.

[Mr. Ralston.]

3. Further, in order to adhere to the principle of territorial representation, I consider it most desirable that one unit should come from western Canada and the other from eastern Canada.

4. It would be possible to choose two battalions from the 4th division which would meet the above requirements. But I do not recommend this course. The 4th division has been constituted as a formation for some considerable time. On purely military grounds it would be unsound to disrupt it, if this can be avoided.

5. Further, I feel that anything which might be construed in the minds of the public, or in the army itself, as the beginning of a break-up of this division would be certain to have an adverse reaction. I may add that these are also the views of the G.O.C. 4th division.

6. Therefore, I consider the selection of units for Hong Kong should be made from those not forming part of the order-of-battle of the 4th division.

7. This leaves for consideration the infantry (rifle) battalions now responsible for coast defence and those forming the three brigades of the 6th division, certain of which latter are only now mobilizing, are not trained and must, therefore, be ruled out.

8. While I do not recommend that the total number of infantry battalions now allocated to coast defence duties should be reduced, it will be satisfactory, from both the operational and training points of view, if the responsibilities of two of these coast defence battalions were to be undertaken, successively, by infantry units from the 4th division and the brigade groups of the 6th division.

May I stop here to explain that what General Crerar is leading to there is this, that if you bring home the Royal Rifles of Canada and the Winnipeg Grenadiers, one of which has been in Newfoundland and the other in Jamaica, he will have to take two units from here to replace them. He suggests that it will be satisfactory from both a national and training point of view if the responsibilities of these coast defence battalions would be undertaken by infantry units from the 4th division and the brigade units of the 6th division.

This would reduce the number of battalions now held in general (mobile) reserve from 13 battalions (4th division plus one infantry brigade of 6th division) to 11 battalions, but this number, in my opinion, should be ample to meet any contingency which may arise in Canada within the next six or more months.

9. After examining the problem from various aspects, I come to the conclusion that the most suitable selections from amongst the battalions now on coast defence or in the three infantry brigade groups of the 6th division would be:

(a) The Royal Rifles of Canada-Quebec.

(b) The Winnipeg Grenadiers-Winnipeg.

10. As you know, these units returned not long ago from duty in Newfoundland and the West Indies respectively. The duties which they there carried out were not in many respects unlike the task which awaits the units to be sent to Hong Kong. The experience they have had will therefore be of no small value to them in their new role. Both are units of proven efficiency.

proven enciency. 11. In my opinion, the balance of argument favours the selection of these two battalions. I would be very reluctant to allot them indefinitely to a home defence role as the effect on their morale, following a period of "semi-overseas" responsibilities would be bound to be adverse. The selection represents both eastern and western Canada. In the case of the Royal Rifles, there is also the fact that this battalion, while nominally English-speaking, is actually drawn from a region overwhelmingly French-speaking in character and contains an important proportion of Canadians of French descent. I have spoken to the adjutant-general and there are no administrative difficulties which should prevent the early movement of these two battalions.

He quotes the specifications of efficient, well-trained battalions, capable of upholding the credit of the dominion in any circumstances, and he says that the duties which they had carried out were not in many respects unlike the task "which awaits the units to be sent to Hong Kong." He says that the experience they have had will therefore be of no small value to them in their new role and that both are units of proven efficiency. Moreover, they satisfy the requirement that one should be from the east and the other from the west and that there should be French-Canadian representation. That report came to me, and as I stated in my evidence, the only discussion with General Crerar was as to whether or not it was fair to give some battalion which had been doing coastal defence duties in Canada an opportunity to go overseas, since these two battalions had at least been outside Canada and had had their opportunity. General Crerar really deals with that point in his recommendation and feels that to put these battalions in coast defence duty would affect the morale of these battalions which, as he said, had had semioverseas service. And I approved the recommendation.

Let me give to the house a brief history of the units, taking first the Grenadiers, who were the older of the two. They were mobilized in September, 1939, had been sent to Jamaica in the spring of 1940, and returned in September and October, 1941. As a matter of fact, at the time General Crerar made that recommendation one flight of the Grenadiers, the last, had not actually returned to Canada. It arrived on October 8. The Rifles had been mobilized in July, 1940, had gone to Newfoundland in November and December and had come back in August, 1941.

With regard to experience, some members have referred to the evidence, and I wish to trouble the house to this extent, to look at the evidence which was given with reference

44561-304

Hong Kong Inquiry

to the service of the Rifles in Newfoundland. It was not merely guard duty that they were doing. They were serving in a potential theatre of war. They were literally on active service, and particularly in the spring of 1941, as appears from the evidence of Colonel Lamb. The commissioner says, at pages 25 and 26:

As was very clearly explained by Colonel Lamb, Canadian troops in Newfoundland are not engaged in mere guard duties; they are serving in a potential theatre of war and their training is more intensive and varied than that usually received in a training camp in Canada.

Note that: "more intensive and varied than that usually received in a training camp in Canada." Then the report goes on:

On arrival in Newfoundland two companies of the battalion were assigned to duties at the airport and two companies performed duties at the harbour and airplane base. At the airport one company was engaged in manning the outposts; the other in training; the two companies taking these duties from week to week alternately. At the harbour and airplane base the duties consisted in protecting the harbour and examining all incoming ships. At both these stations individual training of the men continued in alternate weeks and the training done, usually by small groups, gave to both officers and men experience valuable in modern warfare. Several witnesses mentioned the changing conditions of war; in this war often small groups of men commanded by a junior officer operate in an isolated position where the enemy is likely to appear from any direction. In this type of warfare it was suggested in evidence that the experience gained in manning outposts in Newfoundland against possible enemy attack, by day or by night, would be peculiarly valuable.

I know the location myself. There were two companies at the airport and two at the harbour, which most hon. members knowand the seaplane base. The two companies at the airport were alternating, training a week and on duty a week. The two companies at the harbour and seaplane base were supplying guards and things of that kind and training in the meantime. Then the battalion moved to St. John's in the spring of 1941 and there concentrated as a unit. To it seven defence localities were assigned, and defence schemes often involving the whole battalion, were devised for each locality. Several of these schemes required in their execution cooperation with the units of the Newfoundland militia. The training reports give evidence of a variety of training manœuvres including tactical exercises by two or more companies, night exercises, field exercises, training in fieldcraft, section leading, stand-to alarms and so on. There is a unit, concentrated as a unit, in Newfoundland in the spring-it did not leave for home until September-carrying out defence schemes all during the summer, training manœuvres, including tactical and night exercises, field exercises, section leading, stand-to alarms and so on, a fairly comprehensive system not only of training but of practical operations.

Mr. DOUGLAS (Weyburn): Was there any range work?

Mr. RALSTON: I cannot tell my hon. friend.

Mr. HANSON (York-Sunbury): Is that in the report—what the minister has been saying?

Mr. RALSTON: It will be found in the report at pages 25 and 26. With regard to weapon training I would refer hon. members to pages 26 and 27. Anyone who wants to read about weapon training can do so, but let me give the situation. That is the only complaint my hon. friend makes with regard to the Royal Rifles. The situation in connection with weapon training was this. They had no training with anti-tank rifles, but let me remind the house again that anti-tank rifles were not produced in Canada until November, 1941. They did have an anti-tank pool weapon but no anti-tank ammunition because no anti-tank ammunition was produced in this country; and that applies to two-inch and three-inch mortar ammunition at that time. They had been trained in the stripping, assembling, mechanism, and tactical handling of weapons, except with regard to anti-tank rifles; and that applies to mortars, to tommy guns and to the other weapons. The anti-tank rifle they had had for a month. They had been trained in defence schemes and in cooperation with other units, in tactical exercises, night exercises, stand-to alarms, and so on, as I have pointed out, and had been fifteen months together as a unit.

I stop here to make this statement with regard to weapon training. It is easy to count on your fingers and say, "You did not fire two-inch or three-inch mortars; you did not fire machine guns; you did not fire anti-tank rifles." Well, you cannot fire these weapons without ammunition. It would be awfully hard to fire them unless you had the ammunition, and there was no such thing in production in Canada at the time. We were just getting into our stride.

Mr. HANSON (York-Sunbury): Therefore they could not be trained.

Mr. RALSTON: The fourth division as a matter of fact had not fired at that time either the two-inch or the three-inch mortar, or the anti-tank rifles or live grenades. Someone said something about sending the fourth

[Mr. Ralston.]

division. Well, that means that we cannot send a man overseas until he has actually pulled the trigger or dropped a live bomb into the trench mortar, no matter how simple it might be. Someone talked about the complexity of the three-inch mortar. I do not know how much he knows about it, but I would ask him to go to a reserve unit who have a three-inch mortar and see how long it takes to learn the mechanism, dividing it into three pieces, and learning how to adjust the sight, getting the range, turning the screw, and discharging the bomb into the air.

Anyone who thinks the 3-inch mortar is a complex weapon to fire should go out with a reserve unit and see what they do. I was told the other day that instructors came from Long Branch and gave the N.C.O.'s training for a couple of days; then the N.C.O.'s called out teams of green men who had never seen a mortar and had them out on the range firing the mortar successfully, landing the bombs within two or three hundred yards. We have to carry on this war with the things we have at hand. It must be remembered that 3-inch mortars are not fired by the whole battalion; they are only fired by one platoon of the headquarters company.

Mr. DOUGLAS (Weyburn): But not the 2-inch mortar.

Mr. RALSTON: I think there are sixteen 2-inch mortars in the whole battalion and as my hon. friend knows they are as simple as the other, or even simpler, because they have an even simpler sight and are fired by releasing the firing-pin instead of dropping in the bomb. They had not fired a 2-inch mortar because we had not the ammunition; at that time no 2-inch ammunition was being produced in Canada. They had not fired tommy-guns because until October, 1941, no ammunition was available. But they had taken down a tommy-gun and put it together; they had done everything that possibly could be done with it. I venture to suggest that Al Capone or his men never bothered taking many lessons in firing a tommy-gun. I think I have seen some members of parliament on the range firing tommy-guns who had never fired them before, and I think they did pretty well. I would think the best target you could have for your first practice with a tommy-gun would be a bunch of Japs.

I am speaking perhaps more vehemently than I should, Mr. Speaker. I should like these men to have had this training, but I say with all the earnestness that I possess that I do not believe the fact that those troops did not have that firing training, though they knew all about the tactical handling of the weapons,

the taking down and putting them together, the placing them in the field and how they should be used, was any disqualification against their going to Hong Kong at that particular time and under those circumstances.

Mr. GREEN: What about the Winnipeg Grenadiers?

Mr. RALSTON: —and particularly so in view of the fact that the man in command of that force had been director of military training at national defence headquarters.

Mr. MacNICOL: Would the minister tell the house something with regard to the number of men required to fill each battalion, who were not trained?

Mr. RALSTON: I do not intend to forget the Winnipeg Grenadiers. The evidence with respect to them is not as complete, but it is definite that they had not actually fired a Bren gun, as my hon. friend pointed out. The Winnipeg Grenadiers were formed from the reserve battalion to the extent of 50 per cent. I want hon. members to remember that; 50 per cent of these men had come from the reserve battalion, where presumably they had been training for some time once or twice a week. They were not green when they came to the battalion, and it must be remembered that they joined practically on the first day of the war. General Crerar said he talked with Brigadier Kay, who was then Colonel Kay, and who was in command of the battalion in the West Indies. Coloney Kay was putting in his case for these boys to go overseas. At page 29 of the report General Crerar said:

As regards Winnipeg Grenadiers, I had studied the periodic training reports on this unit while in the West Indies, forwarded by its O.C., which indicated that within the preoccupation of its garrison duties, it was success-fully progressing in its tactical and weapons training. I also had first-hand information furnished by its O.C., Lieutenant-Colonel Kay, who reported to Ottawa in the summer of 1941 to take up appointment as D.A.G. Lieutenant-Colonel Kay then informed me that his unit was ready and restless for more active service, and expressed the hope that it would not be brought back to Canada in the meantime. I advised Lieutenant-Colonel Kay at that time that my reason for return of Winnipeg Grenadiers to Canada was that while it was probably quite fit for garrison responsibilities it would be desirable to give it a short period of unit and refresher training before embodying it in field formations, destined for overseas. As this unit had been mobilized for two years, had experienced and successfully undertaken more independent responsibilities than any other unit in Canada, had been favourably reported upon to me in some detail by its late C.O., Brigadier Kay, its general titness for active service after a short period of refresher training was specially indicated.

Hong Kong Inquiry

I want to remind the house that this had been a machine-gun battalion. My hon. friend said something about the 1910 ammunition that was fired. This battalion had fired its practices as a machine-gun battalion with the 1910 ammunition; my hon. friend did not say that. In any event it had fired its practices as a machine-gun battalion. It knew what an automatic weapon was, though it was using a Vickers instead of a Lewis or a Bren gun, as a machine-gun battalion, but that battalion had that practice with automatic weapons. It had done individual, section, platoon and company training. The antiaircraft platoon had practice, and it had two anti-tank rifles. According to a report to the inspector-general, the anti-aircraft platoon was very well trained with the Lewis gun. They had fired the 25-yard classification with the $\cdot 22$ rifle; they had no ammunition for the anti-tank rifle, but with regard to rifles generally the evidence is that 380 men had fired the classification at the St. Charles range before they went down to the West Indies, and that after they came back 600 men, which I presume means all those who were with the battalion but who had not fired previously, fired the classification at the St. Charles range before they left. Here were their duties in the West Indies, from page 30 of the report:

The West Indies island where the battalion was stationed has been an imperial garrison post for more than one hundred years. It is a mountainous island, having two military stations—one at . . . and the other at . . . The Winnipeg Grenadiers made up practically the entire garrison of the island and were charged with the duty of providing internal security, aid to the civil authorities, and the protection of the island against attack from outside. One company was stationed at all times at . . ., and had very little in the way of garrison duties to perform. It was therefore able to spend practically all its time in training. Because of the mountainous terrain, the training was mainly individual, section, and platoon training and the time was spent in practising mountain warfare. The troops also carried out platoon and company tactical schemes.

mountain warrare. The troops also carried out platoon and company tactical schemes. At . . . the battalion had heavy garrison duties to perform. These comprised the staffing and guarding of an internment camp, the guarding of detention barracks, and the providing of ship guards on incoming and outgoing vessels in the harbour. The personnel not occupied in guard or regimental duties were given individual training in bayonet fighting, the mechanism and employment of the Bren and Lewis light machine guns and the anti-tank rifle, stalking, the use of cover, fighting patrols and the building of road blocks. In addition to its defence duties, the garrison at . . . was required to have one company available at all times on thirty minutes notice, under the defence scheme of the island as laid down by the war office.

Here was a battalion doing individual, section and platoon training, mountain war-

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fare, company tactical schemes, and so on, with the personnel not occupied in guard and regimental duties gaining individual training in bayonet fighting, the mechanism and employment of Bren and Lewis light machine guns, the anti-tank rifle, stalking, the use of cover, fighting patrols and the building of road blocks. Then on page 31 the weapon training is dealt with. I need not trouble the house by reading that, but I think I may sum up that training—and there are those in the house who will know if I am not summing it up correctly-in this way. All ranks had been trained in the Vickers machine gun, and they had fired it. They had trained with and had fired the rifles. They had been given training in the tactical handling and assembling, the taking down and putting together, the carrying and the general dealing with all other weapons except the two-inch mortar, and it was not until October that the two-inch mortar came into Canadian production. They had no dummy grenades. They had the tactical handling, stripping and assembling of the two-inch and three-inch mortar, and in the Lewis and Bren guns and the Thompson submachine gun.

Mr. GREEN: But they had not fired any of them?

Mr. RALSTON: They were in exactly the same position with regard to firing as the Royal Rifles, except that they had not fired the Bren gun. That was the only difference.

Mr. DOUGLAS (Weyburn): Had they fired their rifles?

Mr. RALSTON: Yes, surely.

Mr. DOUGLAS (Weyburn): In Newfound-land?

Mr. RALSTON: They fired that rifle on various ranges before they left for Hong Kong.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

CANADIAN FORCES

CIVIL EMPLOYMENT REINSTATEMENT ACT-MESSAGE FROM THE SENATE

Mr. SPEAKER: I have the honour to inform the house that a message has been received from the senate informing this house that the senate doth not insist upon the second amendment made to Bill No. 5, an act to provide for the reinstatement in civil employment of discharged members of his majesty's forces, or other designated classes of persons, to which this house had disagreed.

[Mr. Ralston.]

SUPPLY

HONG KONG INQUIRY—AMENDMENT OF MR. GREEN TO MOTION FOR COMMITTEE

The house resumed consideration of the motion of Mr. Ilsley for committee of supply and the amendment thereto of Mr. Green.

Hon. J. L. RALSTON (Minister of National Defence): At six o'clock I was dealing with the training of the Winnipeg Grenadiers, and particularly with the firing practices. I think I had pretty well indicated what had been done with regard to that particular unit, and the training they had had in stripping, handling and assembling, and generally familiarizing themselves with the various weapons which have been mentioned.

At this time I think I should mention what I indicated more generally before the dinner recess, and that is that the manufacture of these new infantry weapons in this war, that is the 2-inch and 3-inch mortars, anti-tank rifiles and sub-machine guns, was just getting under way. All of them required brand new manufacturing arrangements.

With regard to ammunition; while we had some of what might be called training guns, a few training weapons, we had no ammunition. With regard to the sub-machine guns the first issues for ammunition for training began in September, 1941. It will be remembered that this unit went in October. The ammunition was for training. Therefore training ammunition was not available for these or any other units in Canada up to that time. It will also be remembered that these units were just coming back from Newfoundland and the West Indies.

With regard to anti-tank rifle ammunition, the training ammunition was not generally available until after the departure of the force. As I indicated this afternoon, anti-tank rifles themselves were not produced in Canada until November, 1941.

With regard to the 3-inch mortar ammunition, it was not available in Canada until March of this year. With regard to the 2-inch mortar, training ammunition was not available until the departure of the force. Live grenades were not available from Canadian production until April, 1942.

Therefore the house will see with regard to the actual firing practice in those weapons that if one is to hold the force until the actual firing is done, this would simply mean that in respect of some of those weapons we could not send a force outside Canada. As I have already said, speaking of the 3-inch and 2-inch mortars, the use of those weapons is not regarded by men who are familiar with the subject as being an intricate matter. As a

matter of fact, training is now being done by reserve units in respect of these weapons in a very, very short time. I indicated this afternoon that in respect of the 3-inch mortars, first the instructors taught the non-commissioned officers, and then men who had not even seen it were firing the 3-inch mortar the same day with comparatively good results.

I said this afternoon that the full establishment of 2-inch mortars was sixteen. As a matter of fact, it was only twelve, as I understand it, at that particular time. The establishment was later increased to sixteen; that was done a short time ago.

I should like just to sum up with regard to the training of both these battalions. All ranks were trained in the assembling, stripping, mechanism, and tactical handling of all weapons, except to this extent; the Grenadiers had no 2-inch mortars or dummy grenades; the rifles had no training with antitank rifles, although they had had one as I said, for one month.

With regard to training, the Royal Rifles had training at the airport and at the harbour and at the scaplane base in Newfoundland. They also had training at St. John's in seven defence localities, in defence schemes, cooperation schemes, training manœuvres, tactical exercises, night exercises, field exercises, training in fieldcraft, section leading, stand-to alarms, and so on.

The Grenadiers were at two stations in the West Indies, one where they had very light routine duties, and spent practically all their time in training. They had individual, section and platoon training, mountain warfare, platoon and company schemes. At the other station, where they had heavier garrison duties, they had internment camps staff and guard, detention guards, ships guards, individual training, the mechanism and employment of light machine guns, anti-tank rifles and so on. And I should have said this afternoon that one company was on the alert at thirty-minute periods under a war office defence scheme in the island.

I call the attention of the house to the fact that both battalions had been mobilized for a period of nearly two years. I am not going to read the evidence in this regard, but the committee will find the evidence of General Stuart, chief of general staff, at page 32 of the report, indicating what it means to have different battalions together for that length of time. I do not think I need to emphasize that so far as the old soldiers of this house are concerned. What I mean is the esprit de corps, the morale, the training which men get from the fact of their being together, from doing regimental duties, not just being in

Hong Kong Inquiry

camp and on training but carrying on the actual duties, whatever they may be, operational duties and so on, the dependence they place upon one another, the faculties they acquire in handling weapons, the ability to learn quickly. All these things are part of the training, are part of the morale, are part of the esprit de corps, are part of the things which go to make up a good battalion when the time comes for it to go into action. General Stuart has dealt with this on pages 32 and 33 of the report, and I submit that that evidence is well worth reading.

Further than that, both these battalions had been well reported on by those who had inspected them. The chief of the general staff, General Crerar, had inspected the Royal Rifles twice, and the reports from the inspector general and the commanding officer with respect to the Winnipeg Grenadiers had been satisfactory. I say that that combination of circumstances and that combination of training were such as to make it highly desirable. in the interests of the course which we were pursuing at that time, that battalions of that kind might be-taken for that purpose. But I want this to be understood, and I have said it this afternoon, I would have preferred, everybody would have preferred for them to have had firing practice in all these weapons. But you can not have firing practice if you have no ammunition.

In that connection I want to mention particularly the matter of the Bren gun in the case of the Winnipeg Grenadiers. It has been said that the Winnipeg Grenadiers had not fired their Bren guns, and that is quite true, but I want to submit this: at that time the Winnipeg Grenadiers had had their rifle practice. Further than that, they had fired and automatic gun, that is to say a Vickers machine gun. Further than that, they had had full training in the stripping, assembling, mechanism and tactical handling of the Bren gun. Their personnel had been taught all the details of aiming, holding, stripping and assembling. While they had not actually fired the gun, the personnel had been made familiar with firing, wind conditions, trigger pressing, aiming and all the things that go with ordinary musketry practice. This meant that the men would not be gun-shy, that they would have experience in aiming and firing under outdoor conditions.

That was the situation when this decision was made. What if someone in the Department of National Defence had said, "hold on; we cannot send the Winnipeg Grenadiers because they have not pulled the trigger of a Bren gun"? I want to ask you, sir, and those members of the house who have been

on the range, and in camp, whether you think that would have been a satisfactory explanation for not having taken this on? I submit that when men know how to take off the barrel, how to put it on, how to load the magazine, how to place it, how to press the trigger, the actual firing of the Bren gun is an almost secondary consideration. I say about that, as I said about the tommy-gun this afternoon, I could not imagine a better target for men firing a Bren gun for the first time than a bunch of Japs coming across.

As a matter of fact, that is exactly what did happen if we are to believe the newspaper reports which have come in recently of an interview with a man by the name of Proulx, who had been with the Royal Naval Volunteer Reserve at Hong Kong and who subsequently made his escape. I quote from the Montreal *Star* of July 18, in which he gives this interview:

Proulx then told of the 700 Japs who tried to swim the narrow 300-yard channel at Lymoon pass.

"The Canadians came down the side of the bank and wiped them out while the Japs were still in the water."

If I remember correctly, in another place it was mentioned expressly that that was done by machine guns. I quote from the Winnipeg Free Press of July 18 which states:

An earlier Canadian engagement occurred December 17 at Lymoon pass, extreme east end of the island. A Canadian machine-gun company—

They must have had Bren guns.

-wiped out a force of 700 Japs who tried to swim the pass, about 300 yards wide. Many were slaughtered in the water and none landed there that day.

Mr. JOHNSTON (Bow River): Is that official, or is it just a news item?

Mr. RALSTON: A news item. I have given the date and the name of the paper. I understand that this young man Proulx, who is a sub-lieutenant in the navy, gave an interview in the press where he was interviewed, I presume, by twenty or thirty pressmen, and this report appeared in several papers. This young man was in Hong Kong at the time and, I understand, was with the Canadians at Repulse bay. Some one asked about calling men who had been at Hong Kong, but unfortunately we have not been able to do that. However, here is a case where a young man gave a statement which indicates that the Canadians knew something about handling a Bren gun.

As I said before, I should have liked and we all would have liked to have these men actually having fired these weapons. But there were certain conditions in mind at the time, and these were mentioned, I think, by General Stuart and by General Crerar. It was expected that there would be time for the force to have some refresher training. At that time, October 26, it was fully expected that there would be plenty of time for the men to do their firing practice and do any refresher training which was necessary. General Stuart said this, at page 45 of the report:

Therefore the problem is this: I admit that I wanted to give those units refresher training. What were we to do? To make use of the shipping that we were told would be available on the 17th, remembering the conditions as they were at the time, my lord: we were at peace; war, according to the best information we had was not imminent; therefore why should not that refresher training be carried out at the other end, namely, at Hong Kong, and let us make use of that shipping that was placed at our disposal for that purpose? And again, in view of the stress, the importance that the British authorities placed upon our taking advantage of that shipping in order to get those people there just as early as possible, we chose that alternative, and I submit that there was not a second choice.

Q. There was no alternative?—A. There was no alternative, my lord.

Q. I understand you to say that there was no practicable alternative?—A. No practicable alternative, my lord.

I want to say to this house that there was no practicable alternative at that time. What was the thing to do? We had these men; they knew their weapons thoroughly; the only question was whether they had fired a Bren gun. The British wanted them over there in order that they might create that moral effect which they believed would be helpful in at least deterring the situation, if not in preserving peace. There was the fact that the Canadians were coming to the assistance of the British; the fact that the solidarity of the British empire was being shown; the fact that we were reassuring the Chinese of help which could not come too quickly. The question was whether or not to send them on that boat or to wait for a month, which time was indicated by the telegram from the British on October 30. We had to decide whether to send them then or to keep them merely for the purpose of firing off a two-inch mortar, a three-inch mortar and in the case of the Winnipeg Grenadiers, shooting off a Bren gun.

That was the situation in which the department found itself. That was the situation in which these officers found themselves. They took the alternative which I submit should have been taken at that time, and they sent these men over. From what I have read it would rather look as if there was no doubt about the effectiveness of the Canadians when they got there.

4818

[Mr. Ralston.]

Mr. BLACKMORE: Was there any reason why the ship should sail that day? Could the ship not have been delayed for a day or two?

Mr. RALSTON: I will deal with that in connection with the mechanical transport. Perhaps I did not make the matter of ammunition quite clear. It was not available because production had not started; that was all. We were making shipments just as fast as we could to the old country and to the active fronts where it was needed most. We could not possibly ask the British for ammunition for training in connection with weapons of this kind. They needed it all on the active front, and we had to take our own production just as soon as we could get it.

Mr. GLADSTONE: Was it assured that munitions would be available at Hong Kong?

Mr. RALSTON: The munitions we were wanting? Yes. My hon. friend will find that in the report.

Mr. HOMUTH: Where is that in the report?

Mr. RALSTON: On page 49 where it says:

Technical stores include weapons and ammunition and the necessary supplies of reserves, spare parts, tools, et cetera. A list of technical stores supplied to the Hong Kong force was filed, together with a list showing in what respect the technical stores provided fell short of the prescribed establishment. These deficiencies were the subject of communications between Canadian and British military headquarters. There were no available Boys antitank rifles in Canada in October, 1941. Nor was there ammunition for 2-inch and 3-inch mortars available in Canada at the time. These facts were reported to the British authorities. Their reply expressed gratification respecting the equipment the Canadian units would take to Hong Kong, and stated that the deficiencies in the Boys anti-tank rifles would be made up when possible by release and delivery of such weapons direct to Hong Kong from British sources. As to the mortar ammunition, the war office arranged to provide a supply for weekly release in Hong Kong and stated that some mortar ammunition would be available immediately from stocks already in Hong Kong. Subject to these deficiencies, the full establishment of technical stores, together with large reserves, was provided by Canada and proceeded with the expedition to Hong Kong.

Mr. HOMUTH: Did that include the weapons which were supposed to go with them?

Mr. RALSTON: I am not going to get equipment mixed up with mechanical transport. All the equipment went with the troops on board. The only thing that did not go was transport with which I shall deal in a moment.

Mr. DOUGLAS (Weyburn): Is there any evidence that Boys anti-tank rifles were supplied at Hong Kong?

Mr. RALSTON: I have no evidence of that at the moment.

I come now to General Crerar's evidence at page 29. General Crerar says:

As regards Winnipeg Grenadiers, I had studied the periodic training reports on this unit while in the West Indies, forwarded by its O.C., which indicated that within the preoccupation of its garrison duties, it was successfully progressing in its tactical and weapons training. I also had first hand information furnished by its O.C., Lieutenant-Colonel Kay, who reported to Ottawa in the summer of 1941 to take up appointment as D.A.G. Lieutenant-Colonel Kay then informed me that his unit was ready and restless for more active service, and expressed the hope that it would not be brought back to Canada in the meantime. I advised Lieutenant-Colonel Kay at that time that my reason for return of Winnipeg Grenadiers to Canada was that while it was probably guite fit for garrison responsibilies it would be desirable to give it a short period of unit and refresher training before embodying it in field formations, destined for overseas. As this unit had been favourably reported upon to me in some detail by its late C.O., Brigadier Kay, its general fitness for active service after a short period of refresher training was specially indicated.

With regard to training on shipboard, I am not going to read General McNaughton's evidence, but evidence was given with regard to training on shipboard and that Brigadier Lawson intended to give weapon training on board ship, and he did so. I refer to page 46, where I find this:

There is considerable evidence to suggest that training was in fact vigorously carried on between October 27 and December 8. Before leaving Ottawa, Brigadier Lawson asked for information about weapons in which the two battalions were not practised so that he could make arrangements for training in those weapons on shipboard.

In his report written shortly before arrival in Hong Kong Brigadier Lawson reports as follows:

Training has been carried out regularly since October 30. . . Emphasis has been laid on physical training, weapon training, P.A.G. (protection against gas) and such specialist training as could be carried out. Special classes have been organized for officers and N.C.O's. including a special P.T. class for the more senior officers. A series of lectures for officers and warrant officers was commenced after leaving our first port of all, dealing with conditions likely to be met in the far east, races and religion, military geography, health in the tropics, characteristics of Indian army troops likely to be met and the Japanese army. . . . Lectures were also given to all troops on sanitation and hygiene in the tropics and on security.

This report is confirmed by an extract from a letter written by one of the junior officers on November 9, in which is described the activities on board ship. This officer stated he was up at 6.30 a.m. and attended the officers' lecture from

7.15 to 8.15 a.m.; parades took place between 7.15 to 8.15 a.m.; parades took place between 9.00 and 11.30 a.m., and between 2.00 and 4.30 p.m.; he delivered two lectures each day; at 4.45 p.m. attended an officers' P.T. class for half an hour, and spent the evening in study and at a lecture at 10.00 p.m. Weekly reports sent by cable from Hong Kong indicate that training continued vigor-ously after the arrival of the expedition. These messages report specifically that weapon train-ing was carried on and that operational evercises

ing was carried on and that operational exercises were undertaken.

I want to point out that General Mc-Naughton, dealing with this very point, says at page 7:

If I were the commanding officer and had had the chance to select the men and know them individually—see that they were all right—I would not have worried very much whether they had completed the basic training or not, they had completed the basic training or not, because character is the thing we lay most stress on, and, if they were people who were suitable in my judgment to incorporate in the battalion, I would have been perfectly happy to have had them . . . I would not have worried from the point of view of military efficiency one iota, because, if they are the right type of men, even on the voyage over I would have completed their individual training. would have completed their individual training.

Mr. JOHNSTON (Bow River): How was that information obtained from General McNaughton?

Mr. RALSTON: He was here and gave evidence before the commission.

Mr. REID: And he knows.

Mr. GREEN: What is meant by "individual training"?

Mr. RALSTON: I suppose it means what it says.

Mr. GREEN: Oh, it is not quite that funny. Does it mean training in firing weapons, or does it mean merely such things as drill?

Mr. RALSTON: I do not know, but I would suppose it meant training with individual weapons.

Mr. GREEN: It means drill and things like that.

Mr. RALSTON: The director of military training was in charge of this force and was going to give weapon training on the way over. That is indicated. The director of military training has been spoken of, and with good reason-he is not here to-night because I am sorry to say he was lost in Hong Kongand has been regarded as one of the finest training experts in Canada. That is the man who was going to do weapon training on ship-· board, going over.

What I submit, Mr. Speaker, is this. The accepted view was that war was not imminent. That is the commissioner's express finding. That is the statement which is made in the last

[Mr. Ralston.]

message which was received from Canadian military headquarters, that the consensus of opinion was that war in the far east was unlikely at that time. That was the situation in which the officers at headquarters found themselves. It was expected that these two battalions were going to do a certain amount of garrison duty and other duties as well. Under these circumstances an expeditionary force was sent, and it was expected that any drill in the firing of weapons could be done after they got there.

Mr. HOMUTH: That is not the substance of the United States report.

Mr. RALSTON: I am still addressing the Speaker and am not minding too much my hon. friends over there now. I want to continue with what I am saying. I wish to say to my hon. friend and to this house, regardless of the substance of the United States report, that the commissioner finds, and there is every reason for his finding, that no such information was conveyed to the Canadian government. That is the situation. It is no use to bring in United States officers. The officers of the Canadian government had to act on the information which it had. That information had been submitted to the commissioner; he has found as he has, and, as I said before, I think he was justified in so finding. But supposing the worst, that war did come, as it did, three weeks after they got there. Nobody expected it, not even the Americans, notwithstanding the reports they had. They did not take them too seriously, at least on the firing line where such reports might be supposed to be taken seriously.

Mr. HANSON (York-Sunbury): That was the tragedy.

Mr. RALSTON: But if war did come, the qualifications of these battalions outweighed any absence of actual firing. Such reports as we have had from Hong Kong with regard to the fighting of the men over there indicate this, including the report, quoted by the commissioner, from Colonel Sutcliffe himselfwho I regret to say has since died-to the effect that the troops had fought magnificently and had shown a wonderful spirit. I quote from page 34:

A telegram from Colonel Sutcliffe, dated December 22, lends confirmation to General Crerar's judgment. Colonel Sutcliffe, who was at this time evidently in command following the death of Brigadier Lawson and Colonel Hennessy, says:

"Troops have done magnificent work. Spirit excellent."

That is dated December 22, fifteen days after Pearl Harbour. General Crerar's statement, which I intended to read but neglected to, is at the top of page 34:

As I have previously stated, the training of a unit or formation is never completed. For instance neither G.O.C. first Canadian division, nor myself, would admit that first Canadian division which has trained vigorously for two years, and elements of which have partaken in actual operations, is as fit to meet enemy as we would wish it. There is always room for improvement. On the other hand, as a general statement, with information at my disposal concerning units of force "C" and knowing professional ability and character of commanding officer, Brigadier Lawson, I would say that force "C" was certainly fit to meet an attacking force, even in superior numbers, and to give a fine account of itself by December 8, 1941.

I come back, Mr. Speaker, to General Crerar's main recommendation. He says the units have had experience and are units of proven efficiency. He selected them as complying with the specifications which he had laid down in the first part of his report, that they should be efficient, well-trained battalions, capable of upholding the credit of the dominion in any circumstances.

Mr. HOMUTH: What page is that on?

Mr. RALSTON: Page 19. He had selected them as units of proven efficiency. Both units had done good jobs on their previous assignments. That entitled them in his opinion to favourable consideration for this new task at Hong Kong. Both were experienced in garrison duty, which was what they were expected to do at the outset, when they were selected and dispatched.

I should like to know if there are any hon. members who will seriously controvert General McNaughton's statement as to the ability to complete their training. We have the statements of the chief of the general staff and other members of the general staff, and the fact that the director of military training had charge of these units and went with them at that time. I would say they were the best qualified to pass on the fitness of these units, and to suggest that the Winnipeg Grenadiers were disqualified from going to Hong Kong because at that particular time they had not actually pulled the trigger of a Bren gun is not doing justice to Canada and to that battalion.

Let me sum up. We pledged two battalions as reinforcements to Hong Kong. They were sound and well tried. They had done everything but fire certain of their weapons. They had had extensive experience, and at duties not unlike those expected. They were not selected in any haphazard way. Their presence in Hong Kong at the earliest possible

Hong Kong Inquiry

moment was the consideration which weighed with the British and weighed with us. Looking forward, then, not backward, as we do to-day, it was reasonable to suppose that there was ample time to brush them up and round out their training with actual firing of weapons if that were necessary. The post of commander of the force was given to the former director of military training, and that would ensure that no time would be lost. Even if war came, not having had actual firing practice did not disgualify them. As I said a little while ago, no more stimulating target could have been found than the enemy. Looking forward again, and not backward, as we do now, if the test should come, their ability, their experience, their efficiency and their esprit de corps, the fact that they had been together for a long time, could have been relied upon. I should like to paraphrase, if I may, the words of the commissioner when he speaks of soldiers and statesmen. I say this: men can properly be held accountable for a reasonably capable, practical judgment as to probabilities, but not on the assumption that they must have had anterior knowledge of subsequent events. I submit, Mr. Speaker, that under all the circumstances the judgment exercised was not only a reasonably capable judgment but the only judgment. which could have been arrived at at that time, and that the selection of these battalions was sound and was warranted under the circumstances as they existed.

So much for the selection of the battalions. I want now to deal briefly with the matter of additions to the battalions. You will remember that this whole controversy was raised originally on the point that some men had been taken on with less than sixteen weeks training. When I made my statement to the house in January I said I had foundfar from the reports I got then—that from 138 to 148 men had had less than sixteen weeks training and I would have inquiry made about the matter. This inquiry came on, however, and the commissioner found, not that 138 to 148 men but that about 120 men had had less than sixteen weeks training; that is, 120 out of 1,900. I wish to recall that because there has been a lot of talk about the difficulties of getting these men. We had to get them quickly. Do you realize what it means to receive a telegram on October 9 saying that a transport will sail between the 20th and the 30th, and it is to take, if you will send them. two battalions to Hong Kong. The last flight of one of these battalions had just arrived in Canada the day before; the other battalion was at Saint John, New Brunswick. It meant that the directors had to meet and deal with

the whole matter of equipment, not simply equipment for the time being but reserve equipment for a year or more; had to deal with food, with re-outfitting of the whole unit, with medical examination, with documentation, with providing first reinforcements, with leave and with arrangements for leave as well. All these matters had to be attended to between the 9th and the time the battalions were to leave which was fixed as the 27th. Speed was necessary; all this had to be done rapidly. It was necessary to get, I believe, 154 men for the Royal Rifles, that is 156 less two that they were over strength, and something like 280, namely 156 for reinforcements and about 130 in respect of the number below strength, for the Winnipeg Grenadiers. More than this, the men had to be volunteers. I do not mean that we could not have ordered them to go; but it was felt that, since they were not going with their own unit, and since the expedition was to a far distant country, it was only fair to give men an opportunity to volunteer. More than that, they had to volunteer to go to a place which was unnamed. The most they could be told was that they were going to a semi-tropical post.

That was the situation which faced the officers. With regard to the Royal Rifles, they immediately went to Toronto. They got men from Camp Borden and fifty-two from the Midland regiment-154 altogether. Some remarks have been made about the Midland regiment. I would just refer the house-I am not going to take time to read itto page 37 of the report, which indicates and goes into detail with regard to the training of the Midland regiment.

The statement is that the regiment itself was an efficient, well-trained unit. The men had not passed through training centres, but the regiment was far ahead of the prescribed syllabus in drill, marching, rifle training and bayonet training. They were well advanced in their firing practice at the ranges and possessed initiative and self-reliance beyond the average, and the commissioner was satisfied that the volunteers from the Midland regiment were well-trained in accordance with the standard prevailing in Canada. At Camp Borden they got sixteen weeks' training, and none had less than ten and a half.

All the additions to the Royal Rifles which had been inspected by the officer representing the officer commanding the Royal Rifles had been accepted. This will be found in the evidence, according to page 38. General McNaughton refers particularly to this. He says, if you have a chance to look at the men selected you need not worry so much about training. He says, I do not worry so much [Mr. Ralston.]

about training so long as I know that they are recommended by someone who knows them. But he objected to having men dumped. upon him without knowing anything about them.

The additions to the Winnipeg Grenadiers came from four training centres altogether. The situation so far as they were concerned was this. They had filled up the quota required, but on medical examination at the last minute it was found that a certain number would not pass the test, with the result that more men had to be got, and they went to Dundurn, Saskatchewan, to get them because they had to be got quickly. There were 282 men who were obtained for the Grenadiers and fourteen officers. I could give the training of them, but all that appears at pages 39, 40 and 41, and I do not think it is necessary to take up the time of the house in that regard except to say that, with respect to the Winnipeg Grenadiers as well, all the men taken were personally accepted by Colonel Sutcliffe or his second in command. There again General McNaughton's evidence is relevant to show that men, even though they had not the full training, would, if selected and accepted, be men whom he would be ready to take. At a passage I have not before quoted, he deals to some extent with selection and with the ability of the unit to absorb a small number of men. At page 43 General McNaughton is reported as follows:

Q. With regard to your answers to questions by my friend Mr. Campbell, he gave to you the figures 43 and 62 of men who had less than sixteen weeks in connection with these two battalions respectively. Could those numbers, in your opinion, be increased without affecting the answer which you gave to his lordship to any extent?—A. Well, I think I would like to answer it this way, saying that I took the first Canadian division coveres well on tawards Canadian division overseas, well on towards 18,000, and not one of them had had that training; not that I was happy, but— Q. You are speaking of the first division as now constituted?—A. Yes.

Q. I was thinking of the first division in the last war?—A. And the same thing was true in the last war, my lord. We had nothing like that training that is indicated here for these oddments that were added.

Q. Then could those numbers be reasonably increased without affecting the efficiency of a battalion which had otherwise been fairly well trained?—A. Oh, to absorb, say, 10 to 15 per

cent, is no difficulty. Q. Then the presence of men who had not had the same degree of training as what I might call the main body of the battalion while you say that their presence creates no while you say that their presence creates no difficulty, would you be good enough to answer that from the standpoint of the men who them-selves are trained? That is, is there any effect of the presence of somewhat untrained men on the trained men? Does it give the trained men any feeling of insecurity or lack

of confidence or anything of that kind by reason of the presence of somewhat lesser trained men in their battalion?—A. Not provided one has a period of a few weeks to assimilate them and make sure they are brought up level with the rest. That is a thing that any combatant unit has got to be trained to do. It is part of our ordinary routine, because when we go into battle we are certain to have casualties, anything up to 25 per cent, and a good battalion must be able to take that quota of comparatively untrained people into their organization and in a matter of days rather than weeks incorporate them thoroughly into the unit.

• Q. What I am thinking of is this, General McNaughton: you have this force going to Hong Kong, two battalions; assume 10 per cent of them had less than sixteen weeks, of varying amounts; it was anticipated we will say they were going there on garrison duty, but we will say that expectation was disappointed and it became a combatant area; then would you be good enough to answer the question?—A. I personally would not have given it one anxiety, subject to the condition that I knew the men. that I did not have a lot of rotters put on my hands, that I had a chance to select them. I would have taken almost raw men of my own selection rather than have had a lot of fellows dumped on me that I did not know anything about.

The evidence is then that there were something like 120 men in that whole 1,900 who had less than sixteen weeks training, and the commissioner finds that there was no unfairness to other battalions or to the expedition as a whole, from the addition of the men referred to who had not fully completed their prescribed training. That will be found at the top of page 43, and there is a similar finding in the general report on page 7, lines 25 to 36.

I do not think I have anything to add to that. I think I should say that in reference to the rule as to sixteen weeks training, evidence was given that that applies only to reinforcements going to the reinforcement pool to be absorbed in units overseas. It does not apply to a unit when the unit itself is recruiting men to bring it up to establishment or particularly to first reinforcements. It does not apply to the unit itself.

Be that as it may, I would prefer, as everybody would, that the men should have sixteen weeks training; but the point is that the Hong Kong expedition is not to be condemned because of the fact that 120 men out of the whole 1,900 did not happen to have sixteen weeks training, particularly when these 120 men had been accepted by the responsible officers representing the unit.

With regard to the matter of transport, somebody spoke about the responsibility for the boat. All I have to say is that the Canadian government have not very many boats at their disposal. The boats are at the disposal of the British admiralty and ministry of war

Hong Kong Inquiry

transport, and whether we liked it or not, we had to take what they provided. We might as well settle down to that, and we have had to settle down to it for these three years of war. There would be no possibility of conducting the operations necessary in connection with the movement of troops and equipment from this side to the other side and back again, or all round the world, if we had different authorities managing shipping. The British supplied the boat.

Mr. HANSON (York-Sunbury): Was there any criticism of the boat?

Mr. RALSTON: Yes. Someone asked, why did we not get a boat of our own.

Mr. HANSON (York-Sunbury): I did not hear it.

Mr. DOUGLAS (Weyburn): That was not the suggestion at all.

Mr. RALSTON: What was it?

Mr. HANSON (York-Sunbury): That is a straw-man.

Mr. DOUGLAS (Weyburn): If the minister is referring to me, he cannot put words in my mouth. I asked what representation had been made by the government to the British authorities to see that the boat had adequate space to take both men and equipment.

Mr. RALSTON: No boat would be available with sufficient space.

Mr. HANSON (York-Sunbury): But you are putting up a straw-man now.

Mr. RALSTON: With regard to the matter of transport, I do not think that to-night I ought, and I do not think the house will expect me, to take them through the evidence. The important thing is what I mentioned when I made my statement on whatever day I made it last January, namely, that a certain number of vehicles did not go on the boat and might have gone on it. As to the great mass of vehicles, the finding and the evidence are both here. It is all to the effect that the boat to carry the bulk of the vehicles was obtained as early as was possible, and no boat for that purpose could have been obtained earlier. The hon. member for Lethbridge (Mr. Blackmore) asked a question about the boat being held. I told him before, and I can only repeat now, that to hold the boat, that is to say to hold the troop transport for the freighter would have meant that the troops would have been in the China sea at the time of the outbreak of that war, and it would not have been possible on the information which we had to hold that troopship sufficiently long to enable

her to arrive at Hong Kong at the same time as the transport. I told the house that the transport ship was a boat of eight and a half knots. I was wrong about that. I got my information from the navy, and that is what I was told. The *Don Jose* was about an eleven-knot boat, but she did not make that speed by any means. The other boat, the troopship, was much faster. Therefore you would have had to slow down the troopship to the speed of the transport if you had held it up, with the result that both would have been in the China sea at about the time fighting broke out.

Mr. BLACKMORE: If I may ask another question, the point I had in mind was this. Would it have been possible to hold the transport for two or three days, in order to put those twenty vehicles on board?

Mr. HOMUTH: Overnight would have done it.

Mr. RALSTON: I think myself it might have been, if things had been done properly. I say that as my own view. The commissioner has criticized the transaction regarding the twenty vehicles, and I am not excusing it at all. But the bulk of the vehicles would have to go on the other ship, the *Don Jose*, because of lack of space on the troop ship.

Mr. HANSON (York-Sunbury): But this boat could have taken the priority vehicles.

Mr. RALSTON: I think so, and the commissioner finds that she could have taken fifteen. I want to get this straight. I am not going to deal with the bulk of the vehicles at all, because they could not have gone on the Awatea, even if they could have been all brought together. The result is that they were put aboard the earliest boat possible, the Don Jose, which did take the vehicles and which, as the house knows and as was announced later, wound up at Manila after war had broken out.

So far as the so-called priority vehicles are concerned, there is a long and involved statement of the transactions which took place. I am not going to trouble the house by going into that to-night, because I do not think there is any necessity for it. The commissioner deals with it as a breakdown; he says there was a breakdown or conflict between the master-general of the ordnance branch and the quartermaster-general's branch, with regard to who was responsible. The thing that emerges clearly in my mind, and what I think was in the commissioner's mind, for I think that was why he made the finding, [Mr. Ralston.]

is that the quartermaster-general is responsible for the transport of men and equipment by land, sea and air. That is the responsibility which runs right straight through this thing. Subject to a good many diversions on account of the fact that the transport controller came into the picture and stopped the shipment of vehicles; on account of the fact that an endeavour was being made to ascertain what space was available aboard the ship; on account of the fact that Brigadier Macklin and Brigadier Lawson were endeavouring to work out, assuming that certain space was available on the ship and that certain hatches were of a certain size in order to take boxed vehicles, what particular vehicles could be taken, there still remains the ultimate and primary responsibility of the quartermastergeneral's branch, which was to see to the transport of equipment and men by land, sea and air.

I think I can put in a very few words the opinion of the commissioner. He says that if the quartermaster-general's branch, that is, the movement control officer, had realized on October 9 or 10, as the commissioner thinks he should have realized, that the Awatea would take practically none of the transport, he would have ascertained immediately just what her size was and found out what space was available on her, and thereby enabled a list of the so-called priority vehicles to have been made up.

Mr. HOMUTH: But was he not told that?

Mr. RALSTON: No, he was not told that. As a matter of fact, I think he began to endeavour to find it out on the 14th, but did not get the information until the 16th. In the meantime Brigadier Macklin and Brigadier Lawson were waiting for that, and having a tentative list of vehicles made up. It was finally cleared up, I think, on the 18th, and it was the 20th before the transport controller actually released the shipment.

Mr. BOUCHER: Was it not a fact that the quartermaster-general did not know the capacity of the ship and did not know what equipment they wanted to put into that capacity, until the 17th?

Mr. RALSTON: No, I do not think that is so. The quartermaster-general's branch knew what equipment had to go on board on the 11th; he had a list of the equipment then, given to him by the master-general of the ordnance branch.

Mr. BOUCHER: On that particular ship?

Mr. RALSTON: No, a list of the equipment which was to go, and of course that was the only ship then available.

Mr. McGEER: Would the minister permit me to interrupt on that point? What I read on page 58 of the report seems to throw a quite different light on the matter than that given a moment ago:

On October 25 Major Gwynne had informed Captain Bush, the staff captain of force "C", that the vehicles would not arrive before sailing time. Unquestionably this would have been reported to Brigadier Lawson. Also on that day the ship's master told Major Gwynne that even if the vehicles did arrive, he could not take them, giving as his reason that the ship was going on a long journey, that he would probably go in a roundabout way and needed extra fuel oil. On the evening of October 27 before the ship sailed the ship's captain again said to Major Gwynne and Mr. Cooke, the manager of the ship's gents, that even if the vehicles arrived he could not take them unless he pumped out some 100 tons of oil. While Mr. Cooke says this is so he goes on to say that had the vehicles arrived before the ship sailed this oil would have been pumped out and the vehicles loaded. This seems inconsistent with the captain's view that he needed this extra fuel oil and I do not understand Major Gwynne's evidence to be that Captain Martin was agreeable to dispensing with this fuel.

Apparently the captain had to do one of two things, pump out 100 tons of fuel oil which he declared he needed, or go on without these vehicles; and was it not the captain's right to determine that issue?

Mr. HOMUTH: You are making the case worse than ever for the government.

Mr. RALSTON: All I want to say is that my hon. friend is quite right in quoting the evidence. The commissioner considered that matter, and at line 40 of page 60 the hon. member will find these words:

Mr. Lockwood seems to have thought seven trucks and the two water tanks could have been loaded but the evidence as to whether the captain would have been willing to take any of these vehicles enables me to form no confident opinion on this point.

But when he comes to make his finding in the main report I take it that he comes to the conclusion that notwithstanding what was said about the captain refusing to take them or being reluctant to take them, he thinks that reluctance would have been overcome in some way, because he says:

Had more energy and initiative been shown by the quartermaster-general's branch, charged with the movement of the equipment for the force, the availability of this space would have been ascertained earlier and the vehicles would have arrived in time for loading on October 24; and there is, in my opinion, no good reason for thinking that, had they arrived at that time, they would not have been taken on board. Mr. BOUCHER: Would the minister not read pages 56 and 57, where I understand it is stated that Colonel Spearing on October 20 did not know the capacity of the ship or the nature of the vehicles that were to go into that capacity?

Mr. RALSTON: I must say I am not going to permit myself to be cross-examined too much. I would refer my hon. friend to what I stated a few moments ago, and he can read the evidence himself. On page 56, line 8, he will find that Brigadier Macklin was advised on the 18th by Colonel Spearing that possibly from 10,000 to 12,000 cubic feet would be available on the Awatea for vehicles. Colonel Spearing apparently knew that on the 18th, and he advised Brigadier Macklin on the 18th; but Colonel Spearing did not advise Mr. Connor, of the transport controller's office, of the estimated free space until the 20th, as will be found at about line 40 on the same page. What I am saying is correct, I think; namely, that regardless of when Colonel Spearing found out he did not tell Brigadier Macklin on the 18th and did not tell Mr. Connor until the 20th. That, in part, is what leads the commissioner to make the adverse finding which he does against the quartermaster-general's branch.

Mr. HOMUTH: When did you, as minister, know it had not gone?

Mr. RALSTON: Oh, earlier than that; considerably earlier. I was not here, you know, when the ship sailed. That is the finding against the quartermaster-general's branch. I come back to what I said originally, and the summing up of it is that the commissioner finds that Colonel Spearing, by not exercising due diligence on October 9 or 10, and not ascertaining the capacity of the Awatea was himself negligent, or showed a lack of energy, and he then contributed to these vehicles not having gone.

There are a lot of things to be said with regard to that. I must say that when the matter came to my attention first, and I am not sure that it is not my opinion to-day and I say this frankly—I considered that it was lack of good staff work rather than anything really affecting the Hong Kong expedition.

Mr. HOMUTH: Would the minister tell us when that was?

Mr. RALSTON: When what was?

Mr. HOMUTH: When the matter came to his attention.

Mr. RALSTON: I think it was December 15, to be exact. I thought it was a matter of staff work, rather than Hong Kong expedition.

Mr. HANSON (York-Sunbury): What does the minister mean by that?

Mr. RALSTON: I mean this, that it did not seem to me and I do not think it seemed to the officers of the department that the absence of fifteen vehicles would have made very much difference in connection with the equipment of the force, in view of the fact that we had word that transport could be hired. The only vehicles which could have been in use would have been the two water tanks, which would have had capacity to supply the battalion for a day or two. I believe there is a normal allowance of onehalf gallon per day per man for drinking and cooking, but put it a quarter of a gallon per man per day, and one tank would supply 800 men. Therefore the two tanks would be required to supply the two battalions for one day, even at the rate of a quart per man.

Mr. DONNELLY: How many vehicles were supposed to be shipped altogether?

Mr. RALSTON: Two hundred and twelve.

Mr. HOMUTH: How about the universal carriers?

Mr. RALSTON: There were fifty-seven. We are talking about six universal carriers out of the fifty-seven, and I believe it was seven trucks out of a much greater number, although I have forgotten the exact number. But out of the 212 it was a comparatively small number.

As to the findings of the commissioner, as I say there is grave doubt in my mind as to whether or not it was anything more than a question of poor staff work. The matter was gone into at the time. I had not completed the investigation before I reported to the house, and I may say that we are still looking, or are trying to find out where that letter addressed to the ordnance transit officer went.

The net result was that it appeared to me that the quartermaster-general's branch had not realized its responsibility, and I did not want an occurrence of that kind to be repeated. In connection with the matter action was taken. I want to say right here that I do not want the house to consider that the action which was taken was solely on account of this. It was a matter which I considered very carefully indeed. It seemed that in view of what had occurred, and in view of the necessity for impressing the officers with their responsibilities, it was desirable that the quartermaster-general should have some other post. A district was offered him, but he declined and was retired.

Colonel Spearing was not retired at the time. As a matter of fact, we were still investi-[Mr. Ralston.] gating the question of the letter to the ordnance transit officer. The investigation was going on, and it was decided to leave that matter until there was a report from the investigation. The commissioner did report, and Colonel Spearing was retired as well.

I want to say here about Colonel Spearing and the quartermaster general that they had given excellent service. I am not one who will say to a man that I am through with him, or that is the end of him just because he makes a mistake or an error. But here was a situation in which it seemed that the officers should be impressed with their responsibilities. Colonel Spearing had come back from a pension in order to occupy his post. But the report being what it was, and there seeming to be an apparent lack of appreciation of responsibilities, this action was taken. In that connection may I say that, as is probably known, there has been a very complete reorganization in the quartermaster general's branch. Not all the changes have been made because of this expedition; I do not mean that by any means. But because of the fact there were certain places which needed strengthening, that strengthening has been done.

Brigadier Macdonald has been brought back from overseas to take the position of director of transport. He has done fine work overseas. Colonel Keating has been brought up from Halifax to take the position which Colonel Spearing formerly occupied. Major-General MacKenzie, who was a brigadier overseas, has come back to take the position of quartermaster general. There have been quite a number of other changes in the quartermaster general's branch, as well as on the engineering side. But taking all in all there has been a distinct change in the transport side.

Those are the findings, and that is the action which has been taken. The commissioner finds that there is no evidence of any detriment to the troops on account of the transport not having been there. Transport was hired. The telegram which we received from overseas was to the effect that transport was being hired, as required.

At the press confidence Sub-lieutenant Proulx was asked about transport. This is the report of that interview as it appears in the Montreal *Daily Star* of July 18:

"How was the transport?" "Very bad." Asked at the end of the conference about trucks, he said that if the trucks from Canada had arrived, they could not have been used since the Japs cut all the communications, rendering such truck equipment useless. But up till that time, the Chinese trucking firms had enough trucks.

Then, with regard to water-mains, I think it will be remembered that very early in the engagement the water-mains were broken.

Therefore it would scarcely appear as if the water tanks would have been of much use. However, what I said in my statement in January and what I still say is that that is a matter of speculation regarding which none of us can know the answer.

Mr. GREEN: What about the universal carriers? They would have been useful, would they not?

Mr. RALSTON: I should think they would not if the trucks would not.

Mr. GREEN: They are armoured.

Mr. RALSTON: If my hon. friend had seen the Proulx statement, it is to the effect that the Canadians were in guerilla warfare with the Japs infiltrating. They were in little bunches of fifteen or twenty or thirty, and apparently they were not on the roads at all, or anywhere where carriers could have been used.

I come now to my hon. friend's amendment. May I say with regard to the commissioner's report that I have tried to deal with all the evidence which I think is relevant; I have tried to give the house as nearly as possible the effect of the commissioner's findings, and the evidence there is to support them. I have given the house the cogent reasons why the commissioner's findings are sound, not only from the point of view of those portions which are favourable to the government, but from the point of view of those portions which are against the department as well. I want to say that far from being a white-wash, I would say that the commissioner's report has given credit where credit is due, explanations where explanations are called for and blame where blame is required. If I may say so, it seems to me that that is the sort of report which will impress the people of this country.

With respect to his report on the whole evidence he concluded with these words:

In October, 1941, the Canadian military authorities undertook a task of considerable difficulty. Subject only to my observation concerning twenty of the 212 vehicles of the mechanical transport, they performed that task well.

I want to read that for the benefit of those officers who have listened to this Hong Kong matter for a good while, who have been criticized and who have not been able to speak for themselves, those men who during those hectic eighteen days worked their heads off, in spite of all the other preoccupations they had in connection with having troops go overseas. The quartermaster-general and Colonel Spearing were quite as busy as men could be arranging for transport and train

accommodation. They had to endeavour to make plans so that this particular force could go, and at the same time not interfere with the rail movements which were being made to eastern ports for very heavy embarkations there. These men had to be got together and got together fast. They had to provide some equipment which they did not normally have to provide for Canadian troops going out of Canada because it was generally easily available in England. They had to get semitropical clothing, medical supplies, and everything needed for troops making a long stay a long distance away. In addition to that, they had to keep the whole movement secret. Those men did a good job, and on the whole I think the commissioner was justified and quite proper in making the statement he did about their having performed that task well. I think that statement should be recorded on Hansard and should be read to this house.

The amendment, if I understand it aright, calls for the reorganization of the whole Department of National Defence. I presume that the hon. member is dealing with the matter of training. I want to take the time of this house, and this gives me the opportunity, to say a word with regard to the training in Canada. We in national defence do not think we know it all. We do not think we have reached the acme in connection with training or in connection with anything else that we are trying to do. We are not complacent about what is happening there. You will find a better situation at the beginning of 1942 than you had at the beginning of 1941, and a better situation at the beginning of 1941 than you had in 1940. Month after month we are endeavouring to make changes, to make improvements in order that Canada's army may be all that Canada expects it to be. The amendment reads:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed reveals convincing proof of incapacity on the part of responsible military authorities, and demonstrates the immediate and urgent need for a comprehensive reorganization of the Department of National Defence.

I could stop here on the record which I have given already and say that there is nothing in the report to support any such damning indictment as that. My hon. friend or whoever drafted that is talking about conditions which existed in the summer of 1941.

Mr. HOMUTH: Did you admit them then?

Mr. RALSTON: If my hon. friend will look at anything I have ever said he will never find me boasting about what is being done. He will find me telling exactly what is going on. When there was a shortage of equipment I have said so and I have told this house quite frankly. When questions in connection with training came up I have endeavoured to tell the house what they were. I have never hesitated in the face of newspapers or anybody else to make changes if changes were necessary, even though that might appear to be admitting that the situation had not been as good as I should have liked it to be.

In connection with training I would regard, and I believe the people of this country would regard the training which is done in England by the British forces to be about as near the acme as anything we could have. If anybody contradicts that, if anyone says the United States training is better, I should be glad to hear from him, because we are keeping in touch with the United States as well. What we are trying to do is to keep our training in Canada integrated with the training in England. For two years we have been exchanging officers and we are increasing this two-way movement all the time. We have been bringing them back from England and sending our officers over to England. We have sent our director of military training over there and have been bringing back our headquarters officers from England so that they will know what is going on and know what the army commander, General McNaughton, wants. At this minute a complete reorganization of the Department of National Defence is being asked for. It must be in connection with training because that is what my hon. friend dealt with most of the time. He said very little about transport.

Mr. GREEN: I said quite a lot about transport.

Mr. RALSTON: I am talking about training at the present, and I shall deal with transport in a moment. Here are the men directly in charge of training. The vice chief of the general staff, Major-General Murchie, spent over a year overseas. Brigadier Weeks went over with the second division and was there until last October when Brigadier Lawson went to Hong Kong. He came back from the second division in order to succeed Brigadier Lawson as director of military training after having had very wide experience over there. Colonel Sparling and Colonel Keeffler are both overseas officers who are in charge of training under them. These are the so-called brass hats who are sometimes talked about by people. This afternoon we heard about people being seventy years of age who do not know anything about training, who have lost touch and who are away back

[Mr. Ralston.]

in the days of 1914-18. But the men I have mentioned with practical overseas experience in this war are the men who are in charge of training at the department. I make no apology for them whatever. I have not the faintest objection to your making a change in the minister any time you like, but as far as I am concerned you are not going to change the men in charge of training who are so valuable to us at the present time.

As a matter of fact, Colonel Sparling is going back to England to take up a post over there and Colonel Keefler will probably be taking his place. At the present time we have in Canada 282 officers from overseas who are assisting with training all across this country. They know what the training is in England; they know what the requirements are, and they are helping us to put them into force here. In addition to that, we have over 1,500 men of other ranks, non-commissioned officers, who are stationed all across this country. At the present time we are running, believe it or not, an officers training centre for what? For the Canadian army overseas. General McNaughton is sending back young men to be trained by these seventy-year old training staff down at national defence headquarters, these brass hats so much is said about. That is the confidence he has in the training we are doing in Canada. The Brockville training centre is being increased from a capacity of 1,000 to a capacity of 2,000, and the training centre at Gordon Head is operating as well and is taking a certain number of these men.

Then there is the junior war staff course where we train young staff officers, officers who have completed their training at Brockville, who have gone through the advanced training, who have gone into the regiments, who have proved their worth and who have been recommended by their commanding officers or brigadier overseas as potential staff officers. General McNaughton actually has the temerity to risk the life of the Canadian army, somebody will say, by sending back these men to be trained at the junior war staff course in Canada and has asked us to take the responsibility for it. Forty-five out of the fifty in the junior war staff course in Canada at the present time are men who have been sent from the Canadian army overseas because they have confidence in the training given here.

As a matter of fact, we have sent to the United Kingdom 721 officers and 693 other ranks, and at the present time there are in England something like 400 personnel from the fourth Canadian division. While I am speaking about training and the fourth Canadian division I might mention that the man in charge of the fourth Canadian division is Major-General Worthington, who went overseas with the army tank brigade. He has no peer as an armoured corps officer, and he is back in Canada training his fourth division before it goes overseas.

There are or have been in Canada something like 120 British officers who have come over here to assist with the matter of training. This is done so that we will not back up on our training, so that our training will be coordinated and integrated with the training in England. At the present time there are British officers at the junior war staff course, at the senior officers course, at the company commanders course, at the small arms training centres, at the driving and maintenance school, at the coast defence and antiaircraft schools at Halifax and at the Canadian armoured corps training centres. As a matter of fact, in connection with the Canadian armoured corps, the whole group of three training centres is headed by a British officer. That is what we are trying to do in the matter of training. Training, after all, is done by men, and it is the mentality of the men who are doing the training that counts. The training is not done simply by people who can sit down in a room and make out a syllabus, but by people who know about training as it is actually done. That atmosphere and that information are being brought back from England by these men in order that we may get the very best and the latest they have in England in training methods, in the same way that our men are going over to England to learn there and then coming back to their training centres in Canada.

Mr. MacNICOL: May I ask whether our men are being trained in commando raids?

Mr. RALSTON: I will come to that in a moment. My hon. friend the member for Vancouver South (Mr. Green) mentioned one other thing—battle training. I am not sure that he is not mixing up two or three things. Paratroops, commandos, guerilla warfare, battle drill, battle training—these are all different things, and the hon. member for Vancouver South has referred particularly to battle training. I think by that he means that we ought to train men to do their field training in Canada. Am I right?

Mr. GREEN: If I might make my point clear, what I had in mind was that the troops in Canada should get complete training here just as the Canadian troops in Great Britain get complete training there. The troops who may have to fight in Alaska or on the Pacific coast will have no chance to go to England for training.

Hong Kong Inquiry

Mr. RALSTON: If that is what my hon. friend means, I understand him perfectly. Battle training-that is a very good term, meaning complete training so far as possible. But battle training, as my hon. friend knows, never ends. We are still battle training the first Canadian division overseas when they are not in the line. Battle training in Canada for troops who are going overseas goes as far as it can here before they go overseas. When they are wanted overseas we send them, notwithstanding that they might not have completed their training. There are certain arrangements and certain needs with regard to sending troops overseas, and it is desirable sometimes to send men who are not completely trained overseas and far better and more useful to have them complete their training there than here if they are earmarked for overseas. They may not be up in field manoeuvres; they may not be up to brigade manoeuvres and maybe battalion manoeuvres. I had an interview with the war office in which they indicated certain types of men and certain types of units they wanted even though they had not progressed very far in their training. We are training them as far as we can in the work they are to do, consistent with the need for them over there.

I come now to those earmarked for training in Canada. They will be trained and trained completely, if you can ever do that because it is a never-ending process, here in Canada for whatever task they may be needed for on this continent or any other theatre to which they could go from this country, in cases where they would not be able to train in the area to which they would be sent. Let us bear that clearly in mind. The training of every unit earmarked for Canadian defence will be carried through to completion, if we ever reach that stage. The training for those earmarked for overseas will be done here in Canada as far as possible, having regard to the needs elsewhere.

The hon. member for Davenport (Mr. Mac-Nicol) has mentioned commando training. That is something else again. Commando training is done first with individuals, and can be done next with a unit, small or large, but generally small. Commando training begins with the hardening of the men physically, stepping up the tempo of their physical training, having men run instead of walking or trotting, scale walls, go through barbed wire, swim, surmount obstacles. All these things have to do with commando training. The next step is to take the unit, to put a lot of these men together and provide some scheme for their training. The word "commando" comes from the South African war and has to do

particularly with the raids that were made there. A commando raid was intended not as an attack to capture and hold a place but rather as a diversion or sortie to some particular area to do as much damage as possible and then come back.

Mr. MacNICOL: And to get information.

Mr. RALSTON: And to get information. As a matter of fact, we have brought back Colonel Scott of the Calgary Highlanders to teach that very work. We started with instructors at Courtenay but have now moved that training to Vernon. Instructors are now being trained at Vernon and are then being sent back to their various units to teach that particular line of work. There will probably be a number selected from various units to take that training. Then, in turn, they go back to their units and assist in putting on commando or raid schemes. That is being done in Canada. There is something else, and that is combined training. As I have said, we have just left Courtenay to go to Vernon to do this commando training. The combined training we propose to do there is to send a battalion there at a time and train that battalion, and then another one will come and take its place. That training goes on in combination with the air force and in combination with the navy, in order that combined training may be taught to unit after unit, particularly in connection with the work of the Pacific command.

Somebody has mentioned paratroops. We have not made any announcement about paratroops, but one battalion of paratroops has been authorized. It is now forming, and instructors are leaving for the United States within three weeks to get immediate and quick instruction there and then return. In the meantime plans are being made with the air force to provide the necessary cooperation needed in connection with paratroops.

I should perhaps mention coast defence troops. I do not think anybody realizes the expansion there has been, particularly in connection with anti-aircraft defence in this country. My colleague the Minister of Munitions and Supply (Mr. Howe) has been pretty fast in turning out anti-aircraft equipment. He has beaten his predictions; as a matter of fact, we are doing everything we can to keep up with him, and I assure the house that it requires some doing, because it takes a longer time to train a man than to turn out a Bofors gun when the Minister of Munitions and Supply gets the wheels started. We are training unit after unit in anti-aircraft work. That is drawing on our [Mr. Ralston.]

instructors and on our equipment, particularly in connection with coast defence work. We felt that was particularly important and we have taken that on. I may say in connection with the suggestions for reorganization of the department that perhaps we have beaten the gun in that respect, and I only want to say to my hon. friend that this is not any promise made after his amendment, because we have been at it and are actually doing it.

I was going to put on record a list of the schools of instruction we have. I do not think anybody outside the army has any idea of the number or variety of these schools. I am still talking about training. I have spoken of officers training centres. We had made provision for an output of 8,000 young officers a year, but as a matter of fact the facilities are being increased to turn out 12,000 a year. We have a junior war staff course of four months duration, to which I have already referred and which is taking part to no small extent in the training of young officers. We have a senior officers and company commanders course. Then we have two small arms training centres. We have a junior leaders training centre for junior N.C.O.'s and potential N.C.O.'s, for giving assistance to these young men who are so important in the army organization. We have an army school of administration; and every advanced training centre has an N.C.O. school of instruction. If anybody inspects these advanced training centres they will find the school of instruction on the right of the line. Any unit in Canada that feels it wants its N.C.O.'s instructed has the opportunity to send them to these schools at the advanced training centre.

There are two army trade schools in Canada, with a total capacity of 3,500 a month. We have a driving and maintenance school at Woodstock and, in addition to that, the battle training school, the bush and mountain warfare training centre, and the paratroops training centre will be in operation in the near future. In addition we have two antiaircraft and coast defence training centres, the chemical warfare training centre, two Canadian Women's Army Corps training centres, and the cookery schools.

That, I think, is a fairly complete list and outline of our work in connection with training. I will just add that we have forty-one basic training centres and twenty-five advanced training centres in Canada.

Mr. FRASER (Peterborough West): Will the minister tell us whether the transport controller is still in control of all movements of mechanical vehicles?

4830

Mr. RALSTON: He is.

Mr. FRASER (Peterborough West:) And troops?

Mr. RALSTON: Oh yes.

That is with regard to training. I wish now to mention something which has to do with reorganization of national defence. I have seen in the newspapers lately references to brass hats and regarding the departmentalized people who are down at headquarters—that there is a little coterie of permanent force officers who are running the show there. I have had made up for me a statement of the number of permanent force officers at the Department of National Defence headquarters. Here are the figures:

- have not a standing to said	Total No. of	No. of per. force
Branch	officers	officers
Chief of General Staff	. 115	10
Adjutant General	. 207	16
Quartermaster-General		14
Master General of Ordnance	. 157	9
Miscellaneous branches	. 31	6

In other words out of 565 officers, fifty-five, or 9.7 per cent, are permanent force. As a matter of fact, in my view that may be too small rather than too large a percentage of figures I want to say I do not admit for a single instant that to have permanent force officers in time of war is a bad thing. I do not know when you should use permanent force officers, men who have made war their profession, if you do not use them in time of war. As regards all this talk about permanent officers and coteries, and the old school tie, and that sort of thing. I do not know whether people are serious about it, or whether they realize what it does to shake the confidence of the people of this country in military administration and in the men who are trying their level best to help to win this war. When you find that fewer than ten per cent of headquarters officers are permanent force officers, can it not be said to indicate that they have not been too particular about observing a supposed preference for the old school tie, but rather that they have appointed officers on the basis of merit, of ability, of efficiency, whether they happen to come from civil life, or reserve battalions, or any other source?

Somebody has asked about overseas officers I had a list made up of the top-ranking fiftythree officers at national defence headquarters, down to G.S.O.1. Of these, thirty-six have been overseas either in 1914 or during the present war. That is 67.9 per cent. I will defy you to find one of them who would not give his eye-teeth to go overseas to-morrow, notwithstanding the gibes which are made with

Hong Kong Inquiry

regard to the staff at national defence headquarters. Some of them will never go, because they are not physically fit, and they are doing a grand job here, in the only place they can serve.

Let me say something more with regard to the matter of reorganization. I have had made up a list of changes in the staff at national defence headquarters since the dispatch of the Hong Kong force. Let it not be supposed that all these changes have been made because of that incident; not at all. I mention this to indicate that the department is not standing still, is not just static, is not leaving the same people in the same job, but is making changes as changes seem necessary. Changes in the senior staff appointments since the Hong Kong expedition have been twenty, and there have been seventeen new appointments, making thirty-seven altogether. Of that total, twenty-one have been brought in from outside. They constitute entirely new blood brought in to national defence headquarters, though everybody seems to have thought "Of course the boys are just promoting themselves one after the other down there." But that is not all that is happening. Men are being brought in from the field and given jobs, and headquarters men are going out into the field. This interchange is going on all the time. I mention that for the comfort of the hon. member for Vancouver South in case his motion does not happen to pass.

Mr. GREEN: A number of the complaints which the minister mentions were not made by me.

Mr. RALSTON: Something is being done in spite of it all.

May I say this last word, Mr. Speaker? I have spoken perhaps heatedly and rather vehemently—

Mr. MACKENZIE KING: Not so much so as I did.

Mr. RALSTON: -and I say that seriously. With regard to the Hong Kong incident, nobody can feel more responsibility than I do. Nobody can regret more than I do, and shall to the end of my days, the fact that the expedition, so far as holding Hong Kong is concerned, was not successful, and that these young men had to go. But no one will be more thankful than I that they succeeded in the major job which came to them, and accomplished the most important thing which was asked of them, by gaining some time, even though it was comparatively short. I want that modicum of comfort to go to the families of these boys, no matter where they are in this Dominion of Canada, and I want to say, too, that notwithstanding all that has

been said about Hong Kong, the people who had stood up to it the best and have complained the least are the people who have suffered most and whose friends have suffered. I glory in their courage; I glory in their bravery, because I do not know of anything which can be harder to bear than the uncertainty and anxiety of these last six months. But that is the situation. Probably Canada to use my hon. friend's expression the day I made my statement—may have other Hong Kongs. But make no mistake about it; we shall have learned some lessons from Hong Kong.

Mr. FRASER (Peterborough West): That is the important thing.

Mr. RALSTON: I know now of things which have been improved in connection with organization. Probably, growing out of this experience, we shall learn things which would have affected the sending of the expedition, which affect the efficient working of the department. I do not expect that the Department of National Defence or the officers there will ever be perfect by any means. I want chiefly to avoid any thought of complacency, of concluding that a situation is good enough, because it is never good enough if we are to win this war. I have no illusions that this Hong Kong business was a perfect job, but I do say that it was successful to the degree which I have mentioned. The objective was to get the battalions there as quickly as possible-two battalions which could be depended upon to carry out what was expected of them, and which might eventually have to defend against a major attack. That task was accomplished. In a little over two weeks the force was en route with every weapon called for, except anti-tank rifles and mortar ammunition. The expectations that hostilities were not imminent proved to be mistaken. So have many expectations been mistaken in this war. I submit that it is time to stop unduly and everlastingly and persistently criticizing people who are prepared to act even though the future is not crystal clear.

If we must criticize; if criticism is due, perhaps we had better try blaming those, who decline to act unless there is no risk, because that policy definitely will not win this war. Canada in the Hong Kong expedition at least tried. While the enemy forces were many times greater, than ours, we at least gained precious time, and our troops, as Colonel Sutcliffe said, did magnificent work. It may be said that there was some inefficiency in the organization. I think I can confidently assert that this applies only in the case of transport, and that has been dealt [Mr. Ralston.] with. It is quite true that there were some squares in connection with training which were to be filled in, but that arose from a set of conditions which have been, in the progress of war production, largely overcome and which will not repeat themselves.

I wish to ask the house and the country, now that the matter has been fully discussed, to consider that the post mortem has accomplished what I hope was its purpose. That purpose was not to find a scapegoat but to see that there is something in the experience which may be useful for the future. The matter has been aired three times-in my preliminary statement to the house, in the report of the commissioner and in this debate. Officers at headquarters and in the districts have spent an enormous amount of time and energy in procuring and submitting informa-tion. They have had to work for weeks to prepare to present information to the commission, and it was necessary for a number of them to remain in attendance in connection with matters which might come up respecting their branch.

The lessons which have been learned have been driven home. What I do fear is, first, that the house and the country do not realize the dislocation which takes place in a department when officers have to be constantly in attendance, and have their minds diverted to a matter such as this instead of to the much more important things-I say more important in the light of the futurewhich have to be attended to. There are tremendous tasks to be done in this country, and the least of these tasks is not that at national defence headquarters in connection with the army. What I fear also is that if this sort of thing keeps on, or if there is too much of it, it will make men timid and fearful of assuming responsibility. If the officers of the Department of National Defence or of any other department are to function in the shadow of an inquiry, every time we actively participate in an operation which falls short of complete success, then you are going to discourage initiative and slow up decision, and you are going to penalize resolute action.

I suggest that this matter has been pretty thoroughly aired. I have endeavoured as well as I can—at some length, I am aware, so far as the house is concerned, but briefly in reality, having regard to the ground that had to be covered—to deal with the charges which have been brought against the department, and I wish to say this last word. You will never know the strain which was on the department to get that force away. Some people may

4832

think it was a simple operation. The commissioner did not think so. It was not perfect; we know it was not perfect. Mistakes were made; there were slip-ups; there were delays in connection with matters to which the commissioner refers. But I want the house to understand that we cannot increase from 3,300 to between 330,000 and 350,000 men in a period of less than three years without some growing pains and some difficulties and trials. Let me say that the department is constantly in training just as well as the units. Shortage of equipment and ammunition, not because of lack of diligence, but because of limited supply, in view of the preference to active fronts, forced us to improvise, and this was one of the contributing factors. These conditions are improving but will not be over for some time.

At national defence headquarters there has been constant change and urge for improvement. I know that we shall not satisfy some people. We shall not satisfy those who for political purposes seek to cast aspersions and to undermine confidence in connection with the military organization as well as in connection with our judicial institutions. We cannot satisfy them; but I do hope that we can satisfy this house and the country that in the administration of the army there has been no lack, either of capacity or of industry, and that when remedial action was necessary it has been taken, and there has been constant and unsatisfiable searching for improvement. I do hope also that we can satisfy this house and the country that our one object, just as much as that of any other loyal Canadian, is to do whatever will best serve to win this war, and that none of us, from the minister down-or from the minister up, as you willregards himself as indispensable at national defence headquarters. All of us there know that the objective of winning the war must override the convenience, the interests or the ambitions of any individual, I do not care who he is.

Mr. G. S. WHITE (Hastings-Peterborough): In rising to follow the Minister of National Defence (Mr. Ralston) after his very careful argument, I wish to point out that I have a particular interest in this Hong Kong expedition because most of the boys who came from the Midland regiment to make up part of the reinforcements of the Royal Rifles came from the county in which I reside. Many of these boys are personally known to myself, and many of their parents have been my friends for many years. Before starting in any way to discuss the report, I should like to say a word in tribute to the Canadian boys who made up the Hong Kong expedition. I

Hong Kong Inquiry

am sure all hon. members will agree when I say that these Canadian boys upheld in every way the traditions set by the Canadian army in the past and that, irrespective of the part of Canada from which these boys came, irrespective of the training they had, irrespective of the weapons they were given, these gallant and brave lads put up a magnificent fight against impossible odds.

May I say to the minister, with regard to certain remarks he made this evening, concerning criticism of judicial or military institutions, that any observations I have to offer on this occasion are not made for any political purpose.

An hon. MEMBER: Oh, no.

Mr. WHITE: I beg your pardon. If anyone has anything to say, please say it. I am not afraid of any remarks hon. gentlemen may make. I may say I have no intention of being interrupted by any of those rowdies across the road.

Mr. FRASER (Northumberland, Ont.): You couldn't get politics out of your system with a blow torch.

Mr. WHITE: If the member for Northumberland, Ontario, will rise in his place I may be able to hear what he says.

Mr. FRASER (Northumberland, Ont.): You can hear me all right.

Mr. WHITE: As a member of this house and as a Canadian citizen I have an interest in every Canadian soldier, as I am sure all other members have, and I realize that anything that has been said in this debate or that may be said later is not going to make any difference to the welfare of those unfortunate boys who are now in a Japanese prison camp. But I do hope that this investigation and this debate will make some impression upon the Department of National Defence, just as the minister stated a few moments ago that the department had learned some lessons from the Hong Kong expedition. It is to be hoped that never again will there be a tragedy such as this; that in future when boys from Canada have to be sent overseas they will be trained as completely as it is posible to train them in Canada, and equipped with the finest of weapons in unlimited quantities.

This afternoon the minister mentioned some people who he thought had complained about the government sending an expedition to Hong Kong. I for one have never at any time said one word in disagreement with the action of the government in sending these men. Any criticism I may have had to offer, or that I may offer to-night, is in connection

with the training or administrative facilities, because I always felt that when the British government made this request Canada simply could not refuse to send forward the two battalions if they were available. I should like to point out that when a young Canadian joins his majesty's forces and signs the attestation card he becomes a soldier and gives up many of the rights and privileges which he enjoyed as a private citizen. From then on he is subject to military law and discipline. After he joins the army his whole life is absolutely controlled by the military authorities. His training, his food, his equipment, where he lives, where he goes and everything pertaining to his welfare are controlled by the military authorities. They have the say as to what part of the world he will be sent to, in what part of the world he will fight, and all the rest of it.

So I submit, Mr. Speaker, that when the lives of thousands of young Canadians are under the absolute control of the military authorities, it is not expecting too much to assume that the general staff and the others who control the military organization of this country will be made up of the very finest military brains available, men who have already proved their worth, men who understand and appreciate what 1942 warfare is like. A few moments ago the minister made reference to brass hats at national defence headquarters, and the old school tie. When he made that reference I just wondered if perhaps there is now a new school tie. I would have been much more pleased if he had stated frankly that all appointments to headquarters or to the general staff were made on one ground only, the ground of efficiency. I often wondered if, when these appointments were made, such things as your name, your occupation, what school you attended, with what regiment you were connected, perhaps even whom you married or your past political associations, had anything to do with such appointments.

Mr. RALSTON: I can say to my hon. friend that he may stop wondering; it is not so.

Mr. WHITE: I am very glad to hear the minister say that.

Mr. FRASER (Northumberland, Ont.): The minister says to stop wondering, not stop wandering.

Mr. WHITE: I can assure the hon. member for Northumberland, Ontario, that I am not wandering, that I never have wandered, and that I do not need any guidance from him.

At various times when this matter has been discussed, the Prime Minister (Mr. Mackenzie [Mr. White.]

King) and the Minister of National Defence (Mr. Ralston) have made special reference to the distinction between the Chief Justice of Canada when sitting as such and the same gentleman sitting as a commissioner. So far as I am concerned I have always been of the opinion that he was not the Chief Justice of Canada when he conducted the Hong Kong investigation; he was a commissioner appointed under the Inquiries Act. I would point out to the Minister of National Defence that this was not a legal investigation but an investigation of a military matter. Reference has been made to the Roberts investigation. There were several commissioners sitting on that board, including a representative of the bench, a representative of the army, a representative of the navy, and I believe, other commissioners experienced in other lines. In this investigation, however, there was only one commissioner, and his experience has always been along legal lines, though he was inquiring into purely military matters. I suggest that this would be equivalent to asking the chief of the general staff to sit as Chief Justice of Canada and decide in regard to an intricate legal point pertaining to international law.

This matter has been referred to already, but at page 3 of his report the commissioner states:

A full statement of the facts and a full discussion of the evidence appears in the appendix hereto which is to be considered as part of my report.

As all hon. members know the evidence amounted to more than 2,200 pages. If this assertion is correct, and a full statement of the facts and a full discussion of the evidence appears in the appendix, one cannot help wondering why the Prime Minister and the Minister of National Defence refuse to produce all the evidence, because surely these words must be taken literally. It is quite true that the Prime Minister has stated many times his two stock excuses, first, that it would not be in the public interest and, second, that he must hide behind the British government. But I say to the Prime Minister that it is in the public interest that the evidence in this investigation should be produced. If it is true that a full statement of the facts has been made and a full discussion of the evidence carried out, what possible further evidence can there be which the Prime Minister does not wish to produce? Does the evidence which he refuses to produce contain some further statements or some further evidence which would damage some member of the general staff, or some other officer, or some other official, or some member of the government?

4834

The same thing would apply to the communications which the Prime Minister has received from Colonel Drew. If a full statement has been made in the appendix, there could be no further evidence produced by Colonel Drew or anyone else. If there has been inefficiency on the part of the general staff, or on the part of any department, or on the part of any officer, the public are entitled to the information. A Canadian soldier who is willing to enlist and to offer his life in the cause of freedom is surely entitled to the very finest available military staff.

He is entitled to the finest of training, the finest of weapons and the finest of military brains for direction and operation. The families of these men have an interest in these affairs, and all parents have the right to expect that their sons will have the benefit of the very best of training and the very best of weapons, so that they can at least meet the enemy on equal terms. I hope that never again will Canadian soldiers be sent into battle untrained and without the fullest knowledge of the weapons with which they are to fight.

The Minister of National Defence made some reference to-night to the effect of the Hong Kong expedition on recruiting. It is very important that the minister should see to it that the evidence is brought down to dispel forever the rumours, the suspicions, the gossip and all the other things which have grown up and circulated so long regarding this expedition. Certainly the performance put on by the Minister of Justice (Mr. St. Laurent) and the way in which he handled the prosecution in connection with the Hong Kong expedition did not tend to help recruiting in this country. I wonder if the Minister of Justice feels that he has done justice to counsel who appeared before the commission, when he laid a serious charge against that counsel and haled him into court. Then, before that gentleman was given the opportunity which every Canadian citizen should have, namely that of appearing in court, the minister withdrew the charge, thereby leaving that gentleman's name smeared for all time to come. That seems to me like the act of laying a charge of theft, or something of that nature, against a man, and then withdrawing the charge and not giving the accused person an opportunity to clear his name.

At page 4 of the report the then chief of the general staff, General Crerar, used the words which have been repeated many times, that the units to be sent should be well-trained and efficient battalions. I wonder how the chief of general staff could possibly consider those two units as well trained, after reading this report and seeing the array of evidence Hong Kong Inquiry

before him showing the type of training that those units had in the eighteen to twenty-four months since their mobilization. I wonder if he would still hold that opinion after considering the type and quantity of weapons with which they had to train.

It will be noted that the commissioner does not state anywhere in his report the standard of training which had been laid down for the Canadian army. Yet on the same page the commissioner states that he accepts the statement by General Crerar that those units were well trained. At the same time he points out the very serious shortage of equipment, and even goes farther in stating that this shortage was not peculiar to those two units alone, but that it applied to all units in the Canadian army.

At page 5 he says:

In point of fact, these battalions were in a more advantageous position in respect of these weapons than the units of the army generally.

With General Crerar having that information it is most difficult to understand how he could say that those were well-trained units. The commissioner goes on to say that this was due to the fact that Canada was unprepared for war in September, 1939. Yet he apparently overlooked the fact that when this Hong Kong expedition was arranged Canada had entered the third year of the war. Those two units, as will be noticed, had been mobilized for a very long time-I think the minister said two years. Yet in that time some of the men had not even completed what might be called their elementary training. Certainly they had not completed some of the firing with ordinary weapons. This shows how little grasp the chief of the general staff had of the type of training and the length of training required by Canadian soldiers to fit them for 1942 warfare.

At page 8 of the report, referring to the lack of mechanized equipment the commissioner states:

There is no evidence, however, that the troops suffered through the lack of them, or that they were not supplied at Hong Kong.

If one examines the report carefully he will not find any evidence set out to show the important place that mechanized equipment holds to-day in the Canadian army. There is nothing to show that universal carriers are necessary; there is nothing to show that the short trucks, motorcycles, water-carts or other vehicles are necessary.

Then the commissioner goes on at page 8 to say:

Canada sent forward, in response to the British request, an expedition that was well trained.

He ends the report by saying that the expedition was neither ill-conceived nor badly managed—even after Canada had been at war for over two years.

Knowledge that the Canadian government had in regard to changed conditions in the east has been mentioned. The commissioner finds that nothing happened between the date of the expedition being authorized and the date of its sailing which would change the viewpoint held by the Canadian government as to conditions in the far east. Before the dinner recess the Minister of National Defence read from pages 16 and 17 of the report, and I should like to refer to that part of the report at this time. At page 17, there is reference to a telegram dated October 26, 1941, from Canadian military headquarters at London, stating that the Chinese government had undertaken to attack the Japanese in the rear of Canton if the Japanese attacked Hong Kong, and were prepared to use ten divisions for this effort. I wonder if the Minister of National Defence would tell the house if that telegram of October 26 is part of the same telegram shown in the report as exhibit 45?

Mr. RALSTON: My hon. friend may read the report.

Mr. WHITE: But it does not say whether that telegram is or is not exhibit 45. I notice it is the same date; is it the same telegram?

Mr. RALSTON: To what page is the hon. member referring?

Mr. WHITE: About the tenth line on page 17, where there is a reference to the Chinese government undertaking to attack the Japanese if the Japanese attacked Hong Kong.

Mr. RALSTON: All I can say is I think it is the same one.

Mr. WHITE: Would the minister say if there is any reason why all the contents of that telegram cannot be produced instead of just the few words which appear as exhibit 45?

Mr. RALSTON: I cannot tell my hon. friend.

Mr. WHITE: If that is from the same telegram, that little part which is quoted, it would lead one to believe that war in the far east was unlikely, and then if you read page 17 you find a statement that the Chinese government had undertaken to attack the Japanese in the rear of Canton if the Japanese attacked Hong Kong. Those two statements are hardly consistent.

Mr. RALSTON: I quote from page 17:

However, shortly after the Japanese cabinet changed information reached Ottawa to the [Mr. White.] effect that the Japanese policy of maintaining peace in the Pacific was likely to be maintained. This view was confirmed on October 26, the day before the expedition sailed, in the message from Canadian military headquarters in London already quoted.

Then, from near the top of the page:

A telegram from Canadian military headquarters in London, dated October 26, 1941, stated that the Chinese government had undertaken to attack the Japanese in the rear of Canton if the Japanese attacked Hong Kong.

Mr. WHITE: I wonder if those are from the same telegram. If they are, one is more or less a contradiction of the other.

Mr. RALSTON: I do not know what my hon. friend means. The other states, "consensus opinion that war in the Far East unlikely at present" and then there is the statement that the Chinese were prepared to use ten divisions.

Mr. WHITE: On page 17 it is clearly indicated that the matter of attack by the Japanese had been discussed and considered and that preparations had been made.

Mr. RALSTON: I have no doubt the possibility had been considered for a good while, as far as that is concerned.

Mr. WHITE: It had been considered since the last war, and the reports show that there was no hope of holding Hong Kong if Japan was ever against the British empire. This was an investigation into an expedition under the control of the general staff, and the same staff officers who controlled the expedition and were in charge of the administrative arrangements were called as witnesses to give evidence. It will be noticed from the report that in many cases their evidence is treated as being almost above criticism. For instance, take the evidence of General Crerar. I understand he was in England some time after the fall of France in 1940. If I am wrong, I ask the Minister to correct me. When General Crerar was in England he must have acquired all the information the British war office had in connection with the type of warfare being waged on the continent. He must have received all the information as to what constituted a panzer division, what a blitz was, what occurred in dive bombing and the general nature of warfare carried on by the German army. Yet in the summer of 1940 when General Crerar returned to Canada we find that he advised the department or the government to set up a scheme under the National Resources Mobilization Act which called for thirty days training. Apparently the information received about Poland, Holland, Belgium and France made little impression upon our general staff. If the minister

·4836

speaks again on this matter I should like him to tell us what changes, if any, General Crerar, after his visit to England, recommended in connection with the type and method of training the Canadian army. One is amazed to find that our chief of the general staff, after being in Europe and getting the benefit of what the British war office knew, was apparently not seized or impressed with the great change in warfare and was satisfied to institute and set up a scheme of thirty days training.

This afternoon the minister referred to the statements made by different staff officers about the training that could be done on the trip to Hong Kong which lasted three weeks. I wonder if he overlooked the fact that this boat which was capable of carrying only 500 passengers had been reconditioned to carry some 2,000 troops, in addition to large quantities of supplies. Anyone who has travelled on a troopship will realize how difficult it is to carry on much training on board. Reference has been made also to the training carried on after arrival at Hong Kong. The hon. member for Weyburn (Mr. Douglas) pointed out this afternoon that it was necessary to spend · considerable time in becoming established, unpacking stores and getting things under way.

I remember a statement last year by the Minister of Munitions and Supply (Mr. Howe) to the effect that his department could equip a Canadian division every six weeks. In the November session the hon. member for Weyburn asked the minister if he meant that literally, and the minister replied, "yes." If that is correct, it is rather hard to understand and appreciate why these units which had been mobilized for so long were so tragically short of the weapons so necessary for their training.

Mr. RALSTON: I have said this so many times that it seems hardly worth while repeating it. This statement about equipping a division every six weeks does not mean that the equipment could be given to Canadian divisions. There are several fronts besides the Canadian front to which Canadian munitions have to go. That has been said time and time again. I have said that we have had to go short in Canada at times in order to send supplies to other fronts. In connection with this particular matter of ammunition, to which I referred particularly, we could not ask the British for mortar ammunition at that time because of the fact that they needed it over there. We had Libya; we had China; we had India; we had England; we had Russia; we had all these fronts to which equipment had to go. My hon. friend seems to have the idea that all the Minister of Munitions and Supply is doing is equipping Canadians.

Hong Kong Inquiry

Mr. WHITE: Oh, no, I quite realize that. At the same time, surely it is not expecting too much, if the Minister of Munitions and Supply can equip an entire division every six weeks, to have enough retained in Canada to train our own troops. I would point out that the commissioner paid little if any attention to the importance of firing various weapons. The minister has dealt with this matter, but I should like to point out that the firing of any weapon or the throwing of a bomb is perhaps the most important part of training. It will be noticed that the report refers to how they trained with dummy bombs. but old soldiers in this house and the minister know that in throwing a bomb, if you throw it too quickly or too soon, the enemy may pick it up and throw it back at you. Many soldiers know the tragic results of that practice.

Mr. RALSTON: Did my hon. friend ever train his men with a tin can filled with mud? I have.

Mr. WHITE: I have used tin bombs, but they were discontinued because of accidents. They did not behave very well.

Mr. RALSTON: I am talking about using dummy grenades.

Mr. WHITE: You mean what you shoot out of the end of a rifle?

Mr. RALSTON: Dummy hand grenades.

Mr. WHITE: Yes, I have seen dummy ones, and I have made a jam-tin one which explodes in smoke when you throw it. But that is not complete training, because it is the timing and the throwing of the bomb which it is so essential to learn but which the minister thinks is a simple thing to do. I hope the minister did not want to leave the impression on the house that two or three days' training on a mortar would be sufficient for a soldier.

Mr. CRUICKSHANK: He did not say that.

Mr. WHITE: The minister will correct me if I am wrong, but I understood him to say that in two or three days a soldier could become perfectly familiar with a mortar and capable of firing it.

Mr. RALSTON: My hon. friend can readthe speech. I am not going to make it over again.

Mr. WHITE: I would point out in connection with all these weapons that there is quite a difference between having them on

44561-305

REVISED EDITION

a table in a lecture room and receiving instruction on them from an instructor, and handling them in a trench or fox-hole in actual warfare where you are on your own.

I should like to draw the attention of the committee to the significant remarks made by Colonel Lamb at page 23 of the appendix, where he said:

One week or two at the most of the training these men got in our own recruit squad would be equivalent to four or six weeks' training at the basic training centres.

That appears to me to be a remarkable statement, because the basic training centres have always struck me as very efficient and well run. I hope the minister will at some time make some comment on that statement because, if an active service unit can squeeze into one or two weeks the equivalent amount of training that a recruit gets at the basic training centres, I should think that there must be something radically wrong with them.

During the debate on the war appropriation bill I asked the minister if he would place on Hansard a copy of the syllabus of training at the basic and advanced training centres, and at page 1890 of Hansard of April 23 of this year there will be found a table showing the number of periods of instruction and the number of rounds to be fired by rifle, Bren gun, anti-tank rifle and the tommy machine gun. I understand that that table indicates the minimum training required by the department. I would ask hon. members to compare the standard of training and the number of rounds to be actually fired, as laid down in that syllabus, with the training and the number of rounds actually fired by the troops that went to Hong Kong. Hon. members will find that there is a great difference. As I said, I understand that the training laid down in that syllabus on Hansard is the minimum training required by the department because, after the soldier leaves the advanced training centre, unless he is proceeding overseas where he receives further training, he is posted to some unit in Canada where his training is continued.

There is no information given in the commissioner's report as to tactical manœuvres of brigade or division, or manœuvres with tanks or aircraft, or any manœuvres on a large scale. It is quite true it is stated that these troops that were sent to Hong Kong had manœuvres by platoon and by company—I did not notice the words "by battalion"—in the Indies, but there was no training in manœuvres on any large scale such as would certainly enter into their operations after they went to Hong Kong.

[Mr. White.]

The report sets out very clearly and fully the type of training which these units had, and the weapons on which they had completed their firing. I shall not repeat that because it has already been placed on *Hansard*.

The report refers at pages 37 and 38 to the young men from the Midland regiment. When the officer in command of the Midland regiment was asked if it was well trained he said that it was well trained, but he qualified his statement later by saying that it was well trained according to the standard of training prevailing in Canada. So far as the boys from the Midland regiment are concerned, the report shows that these men had not even completed firing on machine guns; that they had no experience or training with mortars, tommy guns, anti-aircraft machine guns, live bombs or grenades. I quite realize, as the minister said, that the ammunition was not available, but once again I point out that all these things merely tend to show the complete lack of training which these men had before they were sent overseas.

In conclusion, I would point out that the responsibility for this expedition rests on the members of the war cabinet. They are the ones who made the decision, and they are the ones who are responsible for those in charge of training. I would ask the Prime Minister and the Minister of National Defence to produce all the evidence in connection with this expedition, so that for all time there can be ended the suspicions that have entered into this Hong Kong affair, and the lowering of morale, because I am sure the minister must realize that the way in which this expedition has been conducted must have affected the morale of the Canadian army and probably has interfered with recruiting. If a full disclosure has been made in this report, I would ask the Prime Minister what possible reason or excuse there can be for not submitting to the house the full evidence taken at the inquiry?

Mr. W. R. MACDONALD (Brantford City): Mr. Speaker, may I at the outset express to the Minister of National Defence (Mr. Ralston) my sincere congratulations upon the splendid statement which he made to the house to-day. It is complete and yet concise. It was also fair. He admitted that there had been certain mistakes, but I know the house was very happy indeed to learn that changes had been effected in his department to prevent similar mistakes in the future.

My purpose, however, in rising at this time is to protest with all the vehemence at my command against a discussion taking place, without the evidence, on the findings of a

commission on an incident which is now closed. Hong Kong is history, and glorious history it is.

It has been frequently stated outside this house and intimated within this house that Canadian forces should not have been sent to Hong Kong. I ask any hon. member within this house to rise in his place now, after having heard the Minister of National Defence, and say whether if he had been Minister of National Defence or Prime Minister he would have refused to send that expedition to Hong Kong. I am sure every hon. member is proud of the action which this government took in sending the Hong Kong expedition, which carried on so admirably the great traditions of this country.

Mr. HANSON (York-Sunbury): Would the hon. member indicate which hon. member said that the opposition would not have sent these troops to Hong Kong?

Mr. MACDONALD (Brantford City): I said that it might be gathered from certain statements made in this house and from statements made without the house.

Mr. DOUGLAS (Weyburn): What statements in the house?

Mr. MACDONALD (Brantford City): That the expedition should not have taken place.

Mr. DOUGLAS (Weyburn): Would the hon. member indicate what hon. member made a statement to that effect?

Mr. MACDONALD (Brantford City): I gathered from a number of statements made by members of the opposition parties that an inference such as I stated could properly be drawn.

Mr. HANSON (York-Sunbury): A strawman!

Mr. MACDONALD (Brantford City): But Hong Kong is history. Apparently many people in this country and some in this chamber do not realize that if we are to survive we must not be concerned so much with the events of the past, but rather with present-day affairs and events which are likely to happen in the immediate future. Let me recall to hon. members what is taking place in the world to-day. The enemy is pressing forward on every front. We are losing battle after battle, and without exaggeration I think it can be said that the enemy is at our very gates. In spite of the seriousness of the present-day situation some refuse to face the facts, and we argue about battles which have been lost instead of devising ways and means of assisting our gallant allies in the great battles which are taking place to-day. If there was anything 44561-3053

wrong at Hong Kong, surely we are now satisfied that adequate precautions have been taken to prevent similar mistakes in the future. It is of no assistance whatever to our warriors for parliament to continue to debate Hong Kong. Nor does it assist in building up the morale of our fellow citizens.

The people of this country are heartily sick of the words "royal commission" and the word "Drew". What we want in our leaders is not remorse over what has already happened, but rather foresight and knowledge to prevent similar disasters in the future. Let us cease wrangling about the past. Let us get on with the war and devote our strength not to fighting one another at home but to fighting and defeating the enemy abroad.

The history of this war is not pleasant reading for any of the allies. Terrific losses have been suffered by all. But it should be remembered that the losses sustained by Canada are insignificant compared with those which have befallen every other country. I often think how fortunate our friends in Australia and New Zealand would count themselves had they had the few losses we have suffered at Hong Kong.

Mr. HOMUTH: Would the hon. member compare our losses with those of these other nations?

Mr. MACDONALD (Brantford City): I would be glad to compare their losses if I had the time.

Mr. HOMUTH: Or the ability.

Mr. MACDONALD (Brantford City): But it is now twenty-five minutes to eleven, and I do not propose to take the necessary time just now to make the comparison. I should, however, like to recall to hon. members, and particularly the hon. member for Waterloo South (Mr. Homuth), that we in Canada should be thankful that we have had such small losses. In this respect we are the most fortunate people in the whole wide world. The controversy which is taking place at the present time over our comparatively light casualty list is not doing credit to Canada or helping to keep high her fair name throughout the world. On the contrary, if we continue to argue and re-fight every battle in which we take part, I fear we shall be held in contempt by other nations.

In October, 1941, the Canadian expedition left for Hong Kong 1,895 strong. On December 7, 1941, the Japanese treacherously attacked Pearl Harbour, sinking numerous ships and killing and wounding large numbers, and destroying much mechanized equipment. On Christmas Day Hong Kong fell, with casualties numbering 296 in killed and miss-

In the spring of 1942 our friendly ing. neighbours and gallant allies, the Americans, lost the Philippines, with casualties running into thousands. Shortly after, what was thought to be the impregnable fortress of Singapore fell into the hands of the enemy with vast quantities of supplies and a large number of men. I will not go over our naval losses, but it must be admitted they run into hundreds of thousands of tons. Malaya then fell, with additional losses of thousands of men. In the near east we were no more successful. Libya was overrun by the enemy. At Tobruk 25,000 Britishers were captured together with ships, stores and supplies of all kinds. In Russia, Sevastopol was stormed, with casualties too numerous to mention. During all this time the losses of the British and the Americans must have run into tens of thousands, and of the Russians, into hundreds of thousands, with guns and tanks and ships and planes and other mechanized equipment amounting to billions of dollars.

Throughout this time of trial and tribulation the British, Americans and Russians, in spite of their losses, have battled on gallantly and unitedly, while we in Canada snarl at one another and wrangle in debate over our small though unfortunate reverse at Hong Kong. Is it any wonder that people are saying, let us cease this apparently never-ending bickering; by our actions let us show the world that we without a murmur are prepared to do our part, so that we shall have an equal share in the victory which eventually will be ours.

Some one may say that the Americans had a commission after the fall of Pearl Harbour. But there is no comparison between Pearl Harbour and Hong Kong. The defence of Pearl Harbour was the sole responsibility of the United States, while at Hong Kong Canada was merely helping the British. Also let me point out that the commission appointed to investigate the Pearl Harbour disaster was the first commission appointed during this war.

I often think that the Tories, who are so prone to boast about their loyalty to British institutions, would not have been prompted to ask for this commission if a similar one had not been asked for in the United States. So far as I am concerned—and I believe this is true of the Canadian people generally—I am prepared to follow the leadership and the policy of that great Prime Minister, the Right Hon. Winston Churchill, who has repeatedly refused to grant a royal commission no matter how great the loss may have been.

Royal commissions made up of civilians, no matter how well versed they are in the law, are not the best qualified to investigate military disasters. Fighting is a science, and [Mr. W. R. Macdonald.]

wars will only be won by fighting men, whether in the actual fighting or in the planning for battle. Investigations, if they are to be of the greatest value and not for the purpose of finding a scapegoat, or, to use the vernacular, for the purpose of "getting" someone, should be carried out by courts of inquiry made up of competent and experienced soldiers, sailors and airmen. We have government should ignore them, and we should have confidence should have confidence in our military advisers. When we have a disaster we should ask them to make the investigation, and we should accept their advice. This is the first royal commission we have had in Canada in this war, and I say to the government, no matter how great the clamour may be, let this be the last royal commission.

However, if a royal commission was to be appointed, I am satisfied that no finer civilian commissioner could have been found than the Chief Justice of the Dominon of Canada. There is no one in whom the Canadian people would have had greater confidence. He has a brilliant intellect and has had a wide experience. His judgments are respected and are frequently followed in Britain, in the dominions and in the United States, and I think I can say with confidence that he is the greatest jurist in the English-speaking world. He is, of course, a man of strict integrity. Nothing under heaven could persuade him to swerve from the strict path of duty.

Who was the chief government counsel appointed to act on this commission? Was he a Liberal? Emphatically no. He was the president, not of the Liberal but of the Conservative association of Westmount. The official opposition was also invited to appoint counsel. Did the leader of the opposition (Mr. Hanson) follow the splendid example set by our own Prime Minister (Mr. Mackenzie King)? Emphatically no. If he had followed the Prime Minister's example he would have appointed a Liberal. But whom did he appoint? He appointed the most partisan of all the partisan Tories in the Dominion of Canada.

Mr. DOUGLAS (Weyburn): He is a personal friend of Mr. Hepburn.

Mr. MACDONALD (Brantford City): If anyone before that commission can be accused of partisanship, George Drew alone can be accused of it. For the benefit of yourself, Mr. Speaker, and of other members who do not come from the province of Ontario and therefore do not know Mr. Drew, I should like to familiarize you with his record.

4840

Mr. GRAYDON: He is not on trial.

Mr. CASSELMAN: This is our war effort.

Mr. MACDONALD (Brantford City): He is known as a lieutenant-colonel, and the impression has gone abroad that he served as a lieutenant-colonel in the last war.

Mr. CASSELMAN: And got badly shot up doing it.

Mr. MACDONALD (Brantford City): My hon. friend says he got badly shot up. He did get wounded fighting in the last war, and I do not detract from his service, but I would point out that he did not serve as a lieutenant-colonel, as is generally believed.

Mr. DOUGLAS (Weyburn): That is why he got shot up.

Mr. MACDONALD (Brantford City): He went overseas in 1915. I know whereof I speak because I happened to go overseas at the same time. He went in May, 1915, as a lieutenant. In less than four months, namely, in September, 1915, he went to France as a lieutenant. In May, 1916, he was wounded as a lieutenant and returned to England as a lieutenant, subsequently returning to Canada as a lieutenant; and at no time in the last war did he serve in any field of battle in any higher rank. I do not detract from his service; I give him every credit. But what I do object to is that he should allow people, from one end of the country to the other, to think he had a large and responsible command during the last war. What I do object to is that he should set himself up as the greatest military strategist in the whole Dominion of Canada. He would compare himself with the Minister of National Defence (Mr. Ralston). Let me read a few statements from the Parliamentary Guide respecting the Minister of National Defence. He went overseas with the 85th battalion as major in 1916. He served continuously until the armistice, returning to England in 1919.

Mr. ROSS (Souris): Is this in the report? Several hon. members have been ruled out of order to-day who were much closer to the subject than the hon. member.

Mr. SPEAKER: Citation 294 of Beauchesne's Parliamentary Rules and Forms states:

If a member should say nothing disrespectful to the house or the chair, or personally opprobrious to other members, or in violation of other rules of the house he may state whatever he thinks fit in debate, however offensive it may be to the feelings, or injurious to the character, of individuals; and he is protected by his privilege from any action for libel, as well as from any other question or molestation.

The hon. member may, if he thinks fit, live up to all the implications of that citation. It is a matter of taste.

Mr. GRAYDON: On the point of order raised by the hon. member for Souris (Mr. Ross), I respectfully submit to Your Honour that the citation you have quoted is not the one with reference to the point raised by the hon. gentleman. The point is whether or not the remarks of the member for Brantford City are strictly within the limitations of the debate with respect to the amendment which has been moved. That was the point this afternoon. On two or three occasions Your Honour, quite properly I think, called members to order because they were not keeping within the purview of that amendment, and it seems to me that not only has the hon. member gone a considerable distance outside the amendment, but he is completely afield.

Mr. SPEAKER: The point of order raised by the hon. member is not affected by what the hon. member who has just taken his seat has said. In the discussion this afternoon I was dealing with something that was specifically excluded from the terms of the amendment. If a member thinks fit to make an attack upon individuals who are not members of the house, so long as he does not say anything that is opprobrious to the house he may do so under the rule. Of course it will all depend upon the taste of the hon. member, who is speaking.

Mr. MACDONALD (Brantford City): I was putting on *Hansard* the record of the Minister of National Defence, which I think is a most honourable one.

Mr. FRASER (Peterborough West): On a point of order, Mr. Speaker, I believe you took objection to hon. members mentioning anything about Chief Justice Duff in regard to this commission. Mr. George Drew was also a member of the commission.

Some hon. MEMBERS: No.

Mr. FRASER (Peterborough West): He was one of the counsel, and I see no more reason why hon. members should be allowed to talk about George Drew than about the chief justice. It is simply closure; that is all.

Mr. SPEAKER: I am afraid Mr. Drew would hardly come within the category of those described in the standing order of the house, which refers to those who may be holding high positions.

Some hon. MEMBERS: Oh, oh.

Mr. SPEAKER: I do not wish this to be taken in a spirit of levity; I am replying as

seriously as I can to the point of order raised by the hon. member. I think he will agree with me that the characterization of a high official position, as set out in the standing order, would denote a man who might be in the position of chief justice of this country.

Mr. MACDONALD (Brantford City): Well, Mr. Speaker, I take it that the administration of the Department of National Defence has been specifically questioned by the amendment. I am endeavouring to place on Hansard the record during the last war of the present Minister of National Defence, which I repeat, is a most honourable one. He was born of United Empire Loyalist stock; went overseas with the 85th battalion as a major in 1916; went to France on February 10, 1917; served continuously until the armistice, returning to England in April, 1919, and to Canada in June, 1919. He was gazetted lieutenant-colonel on August 3, 1918, while in France; he received the C.M.G. and D.S.O. with bar. He was mentioned in dispatches twice; was gazetted colonel in 1924, after the war; was sworn in as a privy councillor and appointed Minister of National Defence in the King cabinet in 1926. He was Canada's delegate to the London naval conference of 1930. I could go on at much greater length, Mr. Speaker, and tell of the great experience he has acquired and the fine service he has rendered to Canada.

Mr. ROSS (Souris): Who wrote that?

Mr. CASSELMAN: I hope the hon. member noticed that the Minister of National Defence answered that question by pointing to himself as the author of that biography.

Mr. MACDONALD (Brantford City): I do know who wrote it, but I know it is true, and I defy any hon. member to rise in his place in this house and question it. Then I should like to put on record something of the life of Lieutenant-General Andrew George McNaughton. He attended the Royal Staff College at Camberley, England, and the Imperial Defence College at London. He was adviser to the Canadian delegation to the imperial conference in England in 1929, as well as the conference for limitation of armaments at Geneva, Switzerland, in 1932. He was a member of the committee on trans-Atlantic air service at the imperial economic conference at Ottawa in 1932. He has been chairman from 1933 to the present time of the national research council associate committee on survey research, and was chairman of the interdepartmental committee on the trans-Canada airways from 1933 to 1935. He was chief of the Canadian general staff from 1929 to 1935 and president of the National

Research Council of Canada from 1935 to 1939. He was in charge of a special course for university candidates for commissions in the regular army at McGill university during 1909 and 1910; was a lieutenant in the 3rd battery, Canadian Field Artillery, 1910; captain, 1911; major, 1913; major of the 4th battery, C.F.A., C.E.F., 1914; wounded, second battle of Ypres, 1915; major, 21st battery, C.F.A., C.E.F., 1915; promoted lieutenant-colonel and to command 11th artillery brigade, 1916; wounded, 1918; promoted brigadier-general, 1918; in command of the Canadian corps heavy artillery, and so on. I could go on at much greater length, Mr. Speaker, and tell more of his accomplishments as a military man. I am quite ready to agree that Mr. George Drew was a splendid soldier, but Lieutenant Drew of the last war is not to be compared with Lieutenant-General McNaughton, or our own Minister of National Defence, or the other ministers of defence associated with him.

Some hon. MEMBERS: Eleven o'clock.

Mr. MACDONALD (Brantford City): I think if I had another five minutes I could conclude my remarks.

Some hon. MEMBERS: No.

Mr. MACDONALD (Brantford): If hon. members would allow me to continue for not more than ten minutes—

Some hon. MEMBERS: No.

Mr. MACDONALD (Brantford City): Then I move the adjournment of the debate.

On motion of Mr. Macdonald (Brantford City) the debate was adjourned.

BUSINESS OF THE HOUSE

Mr. MACKENZIE KING: To-morrow I think it would suit the convenience of hon. members to proceed with this debate immediately after prayers, and return to motions after the debate is concluded. If that is the case, I will indicate in the morning that we will proceed to government orders and take up the particular orders we have been discussing to-day.

Mr. STIRLING: Does the Prime Minister mean to skip the routine?

Mr. MACKENZIE KING: Yes. What I have in mind is that possibly someone might move the adoption of one of the reports of committees, in which event we might spend all day debating such report. I think hon. members would prefer to conclude this debate first.

[Mr. Speaker.]

Mr. STIRLING: I quite agree on the principle. I presume the Prime Minister (Mr. Mackenzie King) means that the house is a law unto itself, and can take that course if it chooses.

Mr. MACKENZIE KING: Yes, that is quite right. As it is a matter of procedure, I think I have the right to indicate the procedure which should be taken in a matter of this kind. We will take up any bills after.

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

Tuesday, July 28, 1942

The house met at eleven o'clock.

BUSINESS OF THE HOUSE

Right Hon. W. L. MACKENZIE KING (Prime Minister): As was indicated last night, I move:

That the house do now proceed to government orders.

Motion agreed to.

SUPPLY

HONG KONG INQUIRY—AMENDMENT OF MR. GREEN TO MOTION FOR COMMITTEE

The house resumed from Monday, July 27, consideration of the motion of Mr. Ilsley for committee of supply, and the amendment thereto of Mr. Green.

Mr. W. R. MACDONALD (Brantford City): Mr. Speaker, when the house rose last night I had given a brief review of the military experience and qualifications of the officer in command of the Canadian forces overseas, General McNaughton, and also those of the Minister of National Defence (Mr. Ralston). It had been my intention, had I not had so many interruptions, to place on *Hansard* the very fine military records of the two associate ministers of national defence. Time, however, will not permit.

The amendment suggests that there should be a comprehensive reorganization of the Department of National Defence. That presupposes changes in the department, and I presume that it presupposes changes from the head down. Other men may be suggested for those positions. If it is the intention of those who sponsor this resolution that Mr. George Drew, who is set forth as an expert military man, should have one of these appointments, then I say that Lieutenant Drew—for I would remind the house that in no field of battle did he serve in the last war in any higher rank than that of lieutenant—is not qualified by

experience, training or research to be set up as the greatest authority in Canada on military tactics. And I further state that he has no qualifications whatsoever which would fit him for the position of chief of staff, adjutant general, commander of the Canadian forces, or as head of any one of the branches of national defence.

It has been stated in the house that when hearing the evidence with respect to this commission, the chief justice was acting merely within his capacity of commissioner, and the impression has been sent abroad that in the inquiry he had no powers as a judge. An effort has been made to have the people think that he was merely a commissioner and had not the powers a judge would have. In that connection I would read from page 4255 of *Hansard* of July 15 last, where the following reference is made to the appointment of a commissioner under the Inquiries Act:

Such commissioner shall have all the immunities enjoyed by any judge of any superior court in Canada while exercising his judicial functions, and that any and all powers and authority of any such judge relating to any contempt of court, whether committed in the face of the court or elsewhere, shall be vested in such commissioner in respect of such inquiry.

I mention that so that hon. members may know that the judge when sitting as a commissioner also had the powers of a judge.

I would also bring to the attention of the house the fact that according to the record all proceedings before the commission were heard in camera. In that connection I refer to page 4254 of *Hansard* of July 15, on which appears a letter written by George A. Campbell, K.C., in which, in the fourth paragraph thereof, it is distinctly pointed out that the hearing was held in camera. From the fourth paragraph of his letter I read these words:

It flows from such ruling that all persons, including counsel, were specifically enjoined as to their duty to preserve secrecy as to testimony given, documents produced and all other evidence placed before the commissioner.

I would also bring to the attention of the house the fact that it was definitely agreed that at the close of the inquiry all documents would be delivered up. The next paragraph in Mr. Campbell's letter states:

At the conclusion of the hearing for the taking of testimony in this matter, and some days before the date fixed for completion of the hearing of oral argument, all counsel—

I emphasize the word "all".

—all counsel concerned received notice from the commissioner requiring them on the day of the final hearing of oral argument to deliver up to the secretary of the commission any and all transcripts of evidence, exhibits and copies thereof, written argument and copies thereof.

It was distinctly understood that all arguments would be delivered up to the commissioner. What happened? One of the counsel, namely, counsel for the leader of the opposition, boasted after the report came out that he had retained his copy, in spite of the arrangement which was made before the royal commissioner. The counsel for the leader of the opposition had the effrontery to boast that he had defied the agreement which had been entered into, that he had retained his copy. I quote from the press of July 15:

Of course I have a copy of my argument and it is fortunate indeed that I have same.

I do not think any lawyer in Canada would condone such practice. I do not think the leader of the opposition would condone such practice on the part of his counsel, and I say to him here and now, having regard to the example that we should set in the maintaining of respect for law and order in this country, that he should repudiate George A. Drew, K.C., as his counsel.

Yesterday in this house reference was made to two other commissions, the Dardanelles commission and the Roberts commission. I should like to refer to one other commission of inquiry which was set up in Canada several years ago. Hon. members will recall that prior to the war the Canadian government, in conjunction with the government of Great Britain, entered into a contract for the production and manufacture in Canada of 12,000 Bren guns, 7,000 of which were to be for Canadian account and 5,000 for British account. The present counsel for the leader of the opposition in the Hong Kong inquiry, George A. Drew, K.C., objected to the agreement, and by published articles and otherwise he insisted that a royal commission should be appointed to inquire into it. A royal commission was set up, and again I commend the Prime Minister for the personnel he selected. The Honourable H. H. Davis, a judge of the Supreme Court of Canada, was appointed commissioner. Mr. Justice Davis had no political affiliations; he had never been associated with the Liberal party. Prior to being appointed a judge he had been a prominent Conservative in the city of Toronto, but upon his appointment to the bench he had divorced himself entirely from politics. I might say that he had been appointed to the bench by the Right Hon. R. B. Bennett. The commissioner heard all the evidence and made his finding. The finding was not satisfactory to the present counsel for the leader of the opposition, he demanded a further investigation. A parliamentary committee was set up. The investigation before the royal commission and before a committee

of this house lasted almost one year, and I charge the present counsel for the leader of the opposition, George A. Drew, K.C., with holding up the production of Bren guns in Canada for at least one year.

Mr. SPEAKER: The hon. member's time has expired.

Mr. MACDONALD (Brantford City): I would point out that I have been interrupted considerably; I should think at least ten or fifteen minutes of my time has been taken up by interruptions. Yesterday the hon. member for Lake Centre (Mr. Diefenbaker) was interrupted and he was allowed additional time at the close of his argument because of those interruptions. If I am forced to stop at this moment it will be an invitation to hon. members who may not want another hon. member to speak to interrupt him and thus take up the time he otherwise would have.

Mr. SPEAKER: It is true that two members, I think, were given additional time, but in each case I think it was the sense of the house that they should be given that time, as no objection was taken. They had been interrupted to a greater degree than the hon. gentleman who has just taken his seat.

Mr. J. A. ROSS (Souris): Mr. Speaker, in rising to take part in this discussion in connection with the Hong Kong expedition may I say first of all that I knew many of the officers and men of the Winnipeg Grenadiers. A number of them came from my own constituency. Some of them were neighbours of mine, and one was a relative. I think that they and their relatives would expect that I should say something in this discussion. I should like to pay a tribute to those men for the gallant stand they made at Hong Kong, and to extend sympathy to their relatives during this very difficult period when they are awaiting some word from their loved ones.

For the benefit of those who think that we should not discuss the report or refer to the commission, I quote:

During the last great war, two royal commissions were appointed by His Majesty's government in the United Kingdom to look into various military operations. Lord Cromer headed a commission investigating the Dardanelles campaign. In the second volume of his autobiography, "Memories and Reflections", the then Prime Minister Asquith thus described the way the Cromer report was received:

"The first report (of the Cromer commission) did not survive four hours' debate in the House of Commons, in the course of which it was riddled by the criticisms of (Winston) Churchill and myself."

Lord Cromer was one of the most distinguished jurists of his day in Great Britain. Yet the report he submitted on the much-

[Mr. W. R. Macdonald.]

disputed Dardanelles expedition was subjected in parliament not only to debate, but to such vigorous and successful criticism that the report was subsequently redrafted.

That in my opinion was the correct procedure. I submit that this is the proper place in which to discuss the report.

I believe that the errors of omission and commission which resulted in detriment to these forces should not be viewed only in the light of what happened to the forces, but rather with the thought in mind of what might happen to our forces in a much larger degree if these mistakes are not rectified. This situation might well become extremely grave if this same military organization were called upon to move large forces on short notice, forces made up of all the different branches of the service. It will be remembered that this was a small undertaking of some 2,000 soldiers, and they had a month in which to make their arrangements.

On page 9 of the report is set out the order in council authorizing the inquiry. It reads: -to inquire into and report upon the organization, authorization and dispatch of the Canadian expeditionary force and, without restricting the generality of the foregoing, the selection and composition of the force and the training of the personnel thereof; the provision and maintenance of supplies, equipment and ammunition and of the transportation therefor; and as to whether there occurred any dereliction of duty or error in judgment on the part of any of the personnel of any of the departments of the government whose duty it was to arrange for the authorization, organization and dispatch the said expeditionary force resulting in of detriment or injury to the expedition or to the troops comprising the expeditionary force and if so what such dereliction or error was and who was responsible therefor.

On page 11 it says this:

This inquiry is concerned solely with the decisions and the acts of Canadian statesmen and military administrative officers who were responsible for the authorization, organization and dispatch of the Canadian expedition to Hong Kong.

Going back to page 3 of the report, the commissioner says, in line 20:

A full statement of the facts and a full discussion of the evidence appear in the appendix hereto which is to be considered as part of my report.

If that were correct, then this would not be a secret inquiry. Moreover the commissioner in my opinion has an entire lack of military knowledge, and I should think that to make a proper investigation of the circumstances of this expedition to Hong Kong the person conducting the inquiry should have some military knowledge.

The evidence should certainly have been tabled in parliament, because it is difficult to discuss the inquiry properly without that

44561-306

Hong Kong Inquiry

evidence. But there has been a determined effort on the part of the government to withhold the evidence, to withhold also Colonel Drew's letters on the subject, and in every way possible to keep the facts as to the expedition away from the public. In the Ottawa *Journal* of July 16 there appeared an article headed "Ben Proulx Back In Ottawa," reading as follows:

After being held prisoner by the Japanese at Hong Kong, Ben Proulx returned to Ottawa late Wednesday night to confer with dominion government authorities.

He told the *Journal* he would be unable to grant any interview regarding conditions at Hong Kong or his escape from prison camp there to India until he reported to the government. While in India he received a cable from the dominion government instructing him not to divulge any information whatsoever until he had reported here.

On page 16 of his report the commissioner says:

The Canadian government, having no sources of its own of military information in the far east, naturally and necessarily relied upon the government of the United Kingdom for advice as to the military and diplomatic situation there. In September and October, 1941, it was the accepted view, both in England and in Canada, that war with Japan was not imminent, although it was recognized that, to use the words of Major Power, "if war broke out with Japan the Canadian forces in Hong Kong would be in a very difficult position."

Mr. Drew urged that from the report of Mr. Justice Roberts touching the occurrences at Pearl Harbour, it is evident the American government in October had in its possession information pointing unequivocally to an early outbreak of hostilities with Japan, and he argued that such information ought to have been in the possession of the Canadian government. The evidence establishes in point of fact that the Canadian government had no such information. I repeat that the Canadian government relied and necessarily relied upon the British government for confidential information as to the military situation in the far east.

Is that meant to prove that we have not an intelligence service in Canada? Furthermore, what about the joint United States-Canada defence board of which we have heard so much? Are we to believe that the army and navy of the United States during that month had information of an impending outbreak of hostilities with Japan but that our own officers of the joint defence board did not have that information, or if they did, that they did not convey it to the war committee of the cabinet?

That brings me to another matter, Mr. Speaker. I have always thought, with many other people in this country, that Canada should have a representative on an empire war council. That idea has been continually opposed by the Prime Minister (Mr. Mackenzie

King) and his government, but the statement in the commissioner's report which I have just cited is proof of the necessity of such an organization, especially at a time like this. After all the talk we have heard about the status of this great nation, are we going to take part in this war as a mere crown colony? I suggest to the Prime Minister that we should have an empire war council if we are to conduct our part in this war efficiently.

I listened intently to the Minister of National Defence (Mr. Ralston) last night when for over three hours he discussed the Hong Kong expedition and the commissioner's report. Last January in this house I heard him make his first statement on the expedition, and I expressed my sympathy to him as head of the department, as well as to the families of the soldiers who went on this expedition. But if the minister proved anything in his speech of over three hours yesterday it was this, that there was an entire lack of properly trained men and a very difficult man-power situation confronting him at the time, and that such a situation called for conscription. His whole defence really amounted to support for the argument advanced by the hon. member for Lambton West (Mr. Gray), when, speaking on the amendment to the mobilization act, he said that no one in this country knew whether conscription was necessary at that time or not. He then went on to recall what had happened at Vimy Ridge and Passchendaele in the last war, and the difficulties encountered in getting reinforcements after those great battles. We have the minister's own words that the Hong Kong expedition was a difficult undertaking, that there was only one month in which to act, and that the expedition must go on a voluntary service basis. The result was that many men were taken who were untrained and unprepared. Must we wait for a repetition of Hong Kong on a large scale before we face the issue of conscription? Can we not forget our petty politics and bring in conscription, which we should have for the protection of our own armed forces and to avoid a repetition of Hong Kong?

I sympathize with the Minister of National Defence, because he was not in this country at that time and was not the responsible minister. The acting Minister of National Defence at that time was the Hon. C. G. Power, the minister for air, and as I gather from the evidence and this report there was neglect, so far as ministerial responsibility was concerned, in authorizing the sending of this expedition. The Minister of National Defence [Mr. J. A. Ross.] deserves some sympathy, therefore, in having to defend the whole expedition, the whole set-up and the staff—

Mr. RALSTON: I want to make it quite clear that the Minister of National Defence was in Los Angeles, but the matter was referred to him and the Minister of National Defence takes full responsibility. He was not away until October 9; by that date the expedition had been not only authorized but had been accepted, and a wire came that day as to the time when the expedition was desired.

Mr. ROSS (Souris): The minister still says that he was out of this country from October 9, by which time not much of the organization work had been done.

Mr. RALSTON: My hon. friend spoke of the authorization. I was still here when the authorization was given and was responsible for the operation of the department, because the organization which was done in connection with the force was done by those whom I had put in charge at the department. I do not want the Minister of National Defence for Air (Mr. Power) to have pinned on him any faults of an organization for which mine was the responsibility.

Mr. ROSS (Souris): That relieves the Minister of National Defence for Air of any responsibility whatsoever.

I can well remember General Crerar, in an address in 1940, in the Chateau Laurier, advocating a thirty-day training period for the men called up. I recall the arguments that were made by this group at that time urging that the men be given at least four months training, but considerable discussion had to take place before that became the law. I am happy to think that at last it was done and that many improvements in training have taken place since, but there are many improvements still to be made.

The argument of the Minister of National Defence last night as to firing practice not being necessary is just propaganda; with his fine record in the last war I know he agrees with me that firing practice is absolutely necessary.

The reference in this report to what General McNaughton said on individual training is just splitting hairs. When I think of what was said yesterday by the hon. member for Weyburn (Mr. Douglas) who appeared as a witness before the commission, as to the prejudice which had been shown in this report concerning his evidence, I say that I should like to discuss with General McNaughton, for whom I have great respect, many things which are mentioned in this report. Brigadier Lawson

was a very fine soldier, and I am sorry he will not be back to tell his story that many of these men who were handed over to him for the Hong Kong expedition were untrained and unequipped.

The minister spoke last night of the reorganization of his department, but he admitted that the transport controller, who is a civilian, and had vetoed the shipment of mechanical transport, was still on the job. I do not think it is sound organization to have a civilian transport officer in charge of the movement of troops and their equipment in this country. We have proof of this in what happened to this expedition as regards their shipping difficulties.

On page 17 of the report I read:

It was also not unreasonable to expect some assistance from the landward side by the Chinese forces. A telegram from Canadian military headquarters in London, dated October 26, 1941, stated that the Chinese government had undertaken to attack the Japanese in the rear of Canton if the Japanese attacked Hong Kong, and were prepared to use ten divisions for this effort.

From that it would appear that they considered war was quite possible.

There was a good deal of discussion at the hearings touching political changes in Japan which occurred a little more than a week before the expedition sailed. On October 16, Matsuoka left office and Tojo became premier. It was known that Tojo was sympathetic with the axis powers and there was an impression in Ottawa that his accession to power might increase the risk of war in the Pacific.

As I have already stated, not many days after that the armed forces of the United States of America were so informed.

On page 28, referring to training, the report states:

Practice in firing the tommy-gun was not possible to Canadian battalions before October, with them. There are 42 tommy-guns in the establishment of a battalion. This gun is a useful weapon for close fighting. It is simple to understand and use.

The anti-tank rifle is a high velocity, single shot rifle capable of firing armour-piercing bullets. In general, in its mechanism and use, it is similar to an ordinary rifle. There are now 25 anti-tank rifles in the establishment of a battalian: these and capation and introded to a battalion; these are carried and intended to be used by the headquarters personnel of each platoon and by various platoons of the head-quarters company. Until recently, this weapon and its ammunition have not been available to Canadian units.

As to the grenade, or Mills bomb, I am satisfied, on the evidence, that a soldier practised in the use of "dummy" bombs (which are similar in all respects to "live" bombs, except that they contain no charge of high explosive) would be capable of effectively using "live" bombs in actual operations. Training both in Canada and in England in fact is given with the "dummy" bomb and "live" bombs are reserved for use against the enemy.

44561-3061

Hong Kong Inquiry

It may be necessary to use dummy grenades in that fashion, but it would be much more beneficial to the troops to have training with live bombs if they were available. I do not think any ex-service man would deny that.

Then on page 31:

According to the report made by Colonel Sutcliffe on October 6, 1941, all elementary training in musketry had been completed and refresher courses taken. With regard to the refresher courses taken. With regard to the Bren and Lewis guns, the mechanism, drill and tactical handling of the guns had been thor-oughly covered by the rifle companies and the anti-aircraft platoon, while the remainder of the personnel had been given elementary train-ing. No range practice had been done with these weapons these weapons.

I maintain, and I know the minister will agree with me, that range practice is most essential in the training of these men.

On page 32, General Stuart, the present chief of the general staff, was questioned, and on page 33 the following question and answer appear:

Q. Then your opinion is, from what you have said, that any weapon training or anything of that sort that these units may have been short in as laid down in the books, could have been made up prior to the 8th December?—A. I not only think it, I know it.

Any ex-service man who has been transported on these boats knows how little opportunity there is for training on a boat. He knows what a short time these people had. the difficulties they experienced in unpacking their equipment when they landed in Hong Kong, and the limited time which elapsed before they were actually in battle.

At page 35 appears "Additions to the strength of the two battalions":

The higher rifle establishment for a Canadian The fighter rine establishment for a Canadian infantry battalion provides for 34 officers and 773 other ranks—a total of 807 for all ranks. The "first reinforcements" for a battalion consist of 6 officers and 150 other ranks—a total of 156 for all ranks. Thus, a battalion with its "first reinforcements" comprises 40 officers and 923 other ranks—a total comple-ment of 963.

Further on, on the same page, it states:

The Winnipeg Grenadiers, who had just returned from the West Indies, were under full strength by more than 100 men. To bring both battalions up to strength 136 men were required, in addition to 300 for first reinforce-ments. In obtaining these men there were two conditioning factors—rapidity and secret conditioning factors-rapidity and secrecy.

On page 36:

There were added (150 as first reinforce-ments) to the Royal Rifles 154 men from military district No. 2, of whom 52 came from the Midland regiment . . . To the Winnipeg Grenadiers were added (156 as first reinforce-ments) 282 men and 12 officers; of the 12 officers and 189 men came from advanced training centre No. 15 at Winnipeg, 30 men from the advanced (machine gun) training centre at Dundurn. Saskatchewan. 40 from the centre at Dundurn, Saskatchewan, 40 from the

No. 10 district depot at Winnipeg (including 23 men formerly on the strength of the 18th reconnaissance battalion), and 23 men from the basic training centre at Portage la Prairie.

On page 39, dealing with "Additions to the Winnipeg Grenadiers", it states:

Brigadier Riley discussed the matter with Lieutenant-Colonel Sutcliffe (the officer commanding the Winnipeg Grenadiers) and Lieutenant-Colonel Graham (the officer commanding the Advanced Training Centre No. 15 at Winnipeg). There was some uncertainty as to the exact number of additional men required, but Colonel Sutcliffe estimated on October 10 that between 150 and 200 additional men would be required.

I know these officers very well, and have soldiered with them at times. I have been looking for the evidence of Colonel Graham, because I think I know his opinion on the matter of the training essential for men, but I have not found what he said about these men being ready to go into action; I cannot find evidence on this point in the report. Yesterday afternoon we heard the statement of the hon. member for Weyburn as to what had happened to his evidence, reference to which is made on this same page. Most of the page deals with the matter of reinforcements of the Grenadiers.

On page 40 it is stated:

Before examining in detail the qualifications and training of the men added, one further general comment should be made. It was decided that the Winnipeg Grenadiers should be brought up to the required strength by volunteers from mid-western Canada, through military district No. 10. This decision appears reasonable in view of the fact that this district. The primary responsibility for the additions to the strength rested on the adjutantgeneral's department and its execution was committed to Colonel Hennessy, the director of organization.

This would lead one to believe that all these reinforcements had been taken from district No. 10. I have already pointed out that men were taken from Dundurn in Saskatchewan, which is in military district No. 12.

Then, on page 41:

In the period immediately prior to October, 1941, the advanced training centre No. 15, from which these men came, had, for training purposes, an adequate supply of rifles, bayonets, light machine guns, anti-tank rifles, tommyguns and dummy grenades. This centre, in common with other training centres and units in Canada, was at that time without 2-inch and 3-inch mortars for training purposes.

Further down the report says:

Permission was accordingly obtained from headquarters in Ottawa to seek volunteers at the district depot. The district depot receives all men when they are recruited and also men who are being transferred from one unit to another. It was described as a "manning pool" for the district. At the time that volunteers [Mr. J. A. Ros.] for the Winnipeg Grenadiers were being sought, there were 23 men at the district depot who had been left behind by the 18th reconnaissance battalion when that unit left the district. These men had had considerable training with their unit, but had been left behind because they were thought not suitable for the specialized work of a reconnaissance battalion.

On page 42 we find this statement:

The evidence as to the 23 men who joined the Grenadiers from the basic training centre at Portage la Prairie is as follows: One had been in a reserve battalion for one year, being attached to the training centre; one enlisted November 24, 1939, and had been a staff clerk receiving some training until his transfer to the training centre on October 3, 1941; one had been in a militia regiment for nine months; one had been called out in September, 1940, and was attached to a militia training centre until his enlistment on June 17, 1941, when he went to the basic training centre; two were qualified instructors attached to the training centre; one had been a member of the King's Own Scottish Borderers from 1915 to 1919; one had been in a reserve battalion from August, 1940, to May, 1941, when he was called out and attached to the basic training centre.

The remaining fifteen men without previous military experience served in the basic training centre for periods varying from three to eleven weeks—two served three weeks; three served five weeks; eight served six weeks, and two had served eleven weeks. All these men also were personally accepted by Colonel Sutcliffe, or his second-in-command, after inspection.

I understand that for the purpose of increasing the strength of the Grenadiers it had been found necessary to lower the medical standard.

Mr. RALSTON: If the hon. member will look at the report he will find that the British authorities said that it was quite satisfactory to have men of medical category of C-2 but as a matter of fact no men were taken on lower than medical category B-1.

Mr. ROSS (Souris): That was lower than it had been prior to that.

There is another matter I would point out. The suggestion has been made that this subject should not be discussed on account of the relatives of the men. I have received a note from the mother of one boy in Winnipeg who is with the contingent, in which she asks me to find out "how many men were taken out of Tuxedo hospital, Winnipeg, and put on the train with the Grenadiers on the evening they left." That may be only rumour, but as I say, it is from a mother of one of the boys.

Mr. RALSTON: I can only say that I never heard of it. As I have already stated, I think I have heard about everything that could be said with regard to the Hong Kong expedition, but that is something I have never heard until this moment. I certainly do not take any stock in it, nor do I believe there is foundation for the suggestion. Mr. ROSS (Souris): I said it was in a note I had received from a mother of one of the boys. Now I quote from page 45:

On the whole matter I find that there was no dereliction of duty or error in judgment from the mere fact that approximately 120 men were included in the expedition before they had completed their prescribed periods of training.

I have already found that the addition of these men did not impair the efficiency of the expedition nor did it constitute an injustice to these men themselves.

I ask any ex-service man whether he agrees with that statement. It does not make sense to ex-service men.

It is beyond question that it is better practice to send fully trained men overseas than it is to send men who are only partly trained.

I am sorry that time does not permit me to deal in more detail with the report. I have made reference to the controller of transport, and that question is discussed on page 51. The statement is there made that he stopped shipment on October 15. In my opinion that was a very serious blunder, which undoubtedly proves that we have not an efficient organization in this respect, even to-day.

I quote from the bottom of page 55:

Colonel Spearing did not correct the information given Mr. Connor, and a letter was sent at a later day by Mr. Connor addressed to the "Ordnance Transit Officer". After some travels, it reached Lieutenant Winter, who had been sent out from Ottawa to assist in superintending the loading of the ship. Perhaps any delay in the delivery of the letter may not have produced any result so far as the getting of any of the vehicles on the *Awatea* is concerned, but the incident is one which a little more care would have prevented.

That was very careless. On page 59 the commissioner deals with the evidence of Mr. Lockwood, the controller of transport. He says:

Mr. Lockwood is a man of immense experience in the shipping business before the war as well as in his present office.

On page 60 he says:

I accept Mr. Lockwood's evidence. I do not accept Mr. Cooke's evidence that it was a simple matter to load these vehicles and that all could have been loaded.

Mr. Cooke's evidence was not accepted, notwithstanding the fact that he headed the company that owned the boat. He had had a vast shipping experience, extending over a period of thirty-five years. Why should not his evidence have been considered as well as that of the transport controller?

On page 61 the statement is made that the soldiers had to carry a tremendous load and how impossible it would have been if they had not had proper transport. I am satisfied

Hong Kong Inquiry

that if certain members of this government wished to go through the country at the present time the question of transportation would not present any difficulties, and yet when it comes to the shipment of the materials for that expedition there was a difficulty. I suggest that the minister should make a change in this respect so as to assure our troops, together with their equipment, of more satisfactory transportation. I am satisfied also that if all the evidence had been produced before parliament, some dereliction or error would have been found on the part of the war cabinet, of which the Prime Minister is chairman, or on the part of the members of the joint defence board of the United States and Canada, or probably both, and certainly of a number of high ranking officers.

Mr. MACDONALD (Kingston City): Does the hon. member think it is the duty of the joint defence board to deal with such matters as the situation at Hong Kong?

Mr. ROSS (Souris): Yes. I think they should have had the information. As I have already pointed out, information with regard to the impending break with Japan had been made available to the armed forces of the United States, and in my opinion our board should have had that information and should have passed it on to the war cabinet. To say that it does not matter whether the soldiers are trained or equipped does not make sense to ex-service men. I think the Minister of National Defence will agree on that point.

There is another question I wish to ask the Minister of National Defence. Who wrote the soldier's manual which was quoted in this debate yesterday, where it is said:

It is a mere 120 years ago that William Lyon Mackenzie sacrificed a hard-earned livelihood, his safety, faced imprisonment and exile for the freedom of speech to attack a selfish controlling group.

This caused quite a scene in the chamber yesterday. Perhaps the Minister of National Defence can tell us who the author is.

Mr. RALSTON: Does my hon. friend think that has anything to do with the expedition?

Mr. ROSS (Souris): No, but it is part of the training. It is a manual which has been got out, which the soldiers are expected to read.

Mr. RALSTON: If hon, members think it is necessary to take the time of the house discussing it in connection with this debate I will tell the hon, gentleman what I have been able to learn about it this morning. As a matter of fact I knew there was a plan by the special services section to provide for the

giving of lectures in connection with matters of citizenship. I made inquiries this morning in that regard and I find that over a year ago the material for a series of lectures was prepared. It was gone over by the officers of the department. It was sent out-a very limited number-to the various establishments in Canada, with instructions that such material as was desired be used in connection with a series of experimental lectures, to see whether or not it was suitable, whether it was desirable to continue that phase of training, and to have a report back on the question. The reports have come in and the idea of the lectures generally is approved, but very extensive revisions have been suggested, and they are in process of being made at the present time. It was so temporary and experimental that the booklet was never printed; and if my hon. friend has seen a copy he will notice that it is a photographic reproduction of a typewritten pamphlet. The matter is under extensive revision at the present time in view of suggestions that have been made from various training centres and establishments. The department of course must take full responsibility for the document having been sent out.

Mr. ROSS (Souris): In closing may I just say that I sincerely trust that the very sad experience which this nation has encountered through the authorization and shipment of this Hong Kong expedition may prevent any repetition of any such incident. As I said at the outset, if the long argument of the Minister of National Defence proves anything, it is the impossibility of adequate training of men in the time these men had. I trust that the government will take immediate action to see to it that the gallant men now awaiting the zero hour in England do not have any such experience, and that proper steps are taken to reinforce them and do everything we can as a nation to win this war.

Mr. J. SASSEVILLE ROY (Gaspé): A great many things have been said in the course of the debate on this unhappy and deplorable Hong Kong expedition. I agree with the Minister of National Defence (Mr. Ralston) when he says that he and his lieutenants are doing their utmost to improve conditions in the army. I congratulate him upon his spirit of humility in acknowledging that everything in his department is not perfect. I do not think there is any man in the world who would accept such a responsibility as he hais and give the assurance that there will be no mistakes anywhere, on his part or that of any of his men. This affair comes within the domain of human action where perfection is impossible.

[Mr. Ralston.]

I wish, however, to bring up a point and make a few remarks arising out of the minister's speech last night, in which he said that this expedition had to be undertaken because if we had not responded to the request other nations would have said that Canada was afraid to send soldiers where there was danger. At that time Canada was not even at war with Japan. Hong Kong is not one of Canada's possessions. There, it seems to me, is found the reason for the authorization of that expedition. From the reading of the report of the commission and from all that has been said by the officials, my impression is this: the reason was that we wanted to show our good-will, our earnestness in answering the call of the British government. That is why we authorized this expedition in such a hurry without being better prepared and without the men being well trained and equipped. All sorts of excuses and explanations might be given, and some of them might be acceptable to some people.

But there is another point which is pretty hard to explain and justify. First let me say that when a man volunteers his services in the army he is entitled to receive proper training and proper military instruction before he is sent to a battlefield. Some of the boys from Bonaventure and Gaspé counties who were sent to Hong Kong with the Royal Rifles of Quebec were recruited in the first part of August, 1941, some in the latter part of August, and some in the first part of September. They were sent to Hong Kong, as we all know, in November. This is not a mistake; it is not an error; it is nothing but a crime. Some of these boys were only seventeen and eighteen years of age at the time. It is my desire on behalf of the families of those boys to protest against this, and to condemn with all the energy of which I am capable the officers and all those responsible for that crime, which will remain a black spot in the record of the Canadian army and of the government.

Mr. G. RUSSELL BOUCHER (Carleton): I do not intend to take up much of the time of the house in discussing the Hong Kong matter. I believe every Canadian is very much impressed by its seriousness, having regard not only to the results of the ill-fated expedition but also to the disturbance of the public mind and the concern that has been occasioned by what took place. I felt I might contribute something by endeavouring to give what I conceive to be the opinions of the man on the street not versed in military knowledge, but very much concerned with the fate of our sons, our brothers and our friends overseas. Many people in my constituency are intimately acquainted with boys who took part in that ill-fated expedition, and they have become more and more concerned over the situation at Hong Kong as time has elapsed.

It seems to me that the Canadian people, and especially those with whom I am so closely connected, have had every reason to approve, and do approve, the sending of the expeditionary force to Hong Kong. They have not at any time changed their minds upon the advisability or duty of Canada to send even a token garrison to Hong Kong at the request of the British government. But they have felt, with the pride of Canadians, that to carry out a task of the kind at the request of the British government the best that Canada could do was none too good, and in that regard there has been much concern in the public mind with respect to the expedition.

As we look at the report of the royal commissioner we find that the request for the sending of an expeditionary force came on September 19. It was accepted by the government of Canada on September 23, and that acceptance was communicated to Great Britain on September 29. We find also that we received word on October 9, that the Awatea, the ship which was to take the expeditionary force to Hong Kong, was to be available about the end of October.

On October 16 a change in government in Japan certainly made the people of Canada feel that danger in the east was imminent. I do not think the findings of the royal commissioner have quite appeased the concern of our people in that regard. On September 16 the press of Canada spread the information that Tojo had assumed the head of the Japanese government, that he was sympathetic to the axis powers, and that he was head of a military clique who were likely to be more militant so far as the allied nations were concerned. That I believe was commonplace knowledge about October 16, or within a few days thereafter.

I believe the government should know a little more than the average Canadian who has or should have faith not only in the government but in the military authorities. How the commissioner can say that no change took place in the information the Canadian government had between October 16 and the sending of the expeditionary force on October 27 is a big question in the minds of the Canadian people.

The Prime Minister (Mr. Mackenzie King) has repeatedly told us, when dealing with the question of his not agreeing or urging that a minister be sent to the war council in England, that he has been kept closely in contact with war developments, through Great Britain; that Canada House has been a most

efficient and effective liaison between the two countries. He has pointed out that the joint defence board is helping us in our relations with the United States, and that through our neighbours to the south he is kept constantly advised as to the exact situation. Be that as it may; it is not up to me to say how efficient that organization is. But in the minds of the Canadian people the fact remains that on October 16 they were alarmed and the commissioner finds there is no reason why the dominion government should not have been alarmed also.

To send two battalions to Hong Kong for garrison duty left plenty of opportunity for training. A wholly combatant fighting unit might not be necessary for garrison duty. But to send a combatant battalion to Hong Kong is a different proposition. Last night the Minister of National Defence (Mr. Ralston) stated what I believe was probably the case, when he said that the chief of general staff had recommended these two battalions, and had stated that in his opinion they were among the best in Canada at the time. But that statement was made before October 16. It was made at a time when there was no reason to expect war in the east, as it might have been expected, I submit, after October 16.

The minister has asked the leader of the opposition (Mr. Hanson) if he would have recommended the withdrawal of the expeditionary force when the change of government in Japan had changed the complexion of things. I do not think any Canadian would have made that recommendation. But I do believe every Canadian would feel that that was sufficient to impress upon every person in the government of Canada, and particularly in the Department of National Defence, the necessity of using the utmost care to have for this purpose the best they could produce in Canada.

The minister said he did not deem it wise to take a battalion out of the fourth division. He said that he took battalions which had not been allocated to a division, and took them from two different parts of Canada. In that he would have been wise had it been for garrison duty. He claimed he had commitments with England, and that he did not wish to withdraw therefrom. I believe the best commitments with and the best service he could have rendered to England was to send to Hong Kong the best battalions, equipped and trained to the limit of Canada's possibilities, from wherever he may have been able to get them at the time.

The other aspect of the matter in relation to which the Canadian people are alarmed is -I was going to say the bungling; perhaps I should not use that word—the misfortunes or mismanagement in the transporting of the troops, and the failure to transport such equipment as could go on the Awatea. The people of Canada may receive some consolation when they learn at this very late day that about twenty men in the department have been relieved of their jobs, and have been either put elsewhere or retired. That does seem to be an admission—and I think the minister was very fair in admitting it—that something was wrong.

In this connection I would like to make a personal reference. I have known Colonel Spearing for a long time, and I have always heard of the high respect in which he was held in the department in which he worked. For many years he was a soldier tried and true. I believe his services have been outstanding in connection with the transportation of troops and equipment. Looking over the findings of the commissioner I have found that, although only third in command in connection with the transportation of equipment and troops, Colonel Spearing was in a most responsible position, and that he did not until about October 20 know with any definiteness the capacity of the Awatea to carry mechanized equipment. He did not at any time know the cubic contents of that ship, nor did he have given to him any knowledge as to what vehicles he could load in even the estimated capacity. He is relieved of his position. Was full justice done to Colonel Spearing in asking him to take the rap for this unfortunate incident?

Mr. BLACKMORE: I am interested in this particular matter, and I should like to ask the hon. gentleman if he has any information which would indicate why Colonel Spearing did not know these facts?

Mr. BOUCHER: I should like to find that out. I quote from page 56 something which I think should be put on the record:

Brigadier Macklin undertook to take care of the question of priority. He did so by acquainting both the commander of the force (Brigadier Lawson) and the staff captain (Captain Bush) with the situation and handed to both of them, on October 22, before they left Ottawa, a memorandum setting out these facts. From that time forward no one at national defence headquarters did anything further in connection with these twenty vehicles. This was left in the hands of the transport controller.

I ask the house to pay attention to this: It is clear on the evidence that the amount of free space in the *Awatea* was at this time merely an estimate.

We must be fair. Surely when the ship was made available on October 9 and its [Mr. Boucher.] name was known; surely when Cooke, the general manager of this company, was available, these particulars should have been handed to the transport controller. The report shows that Brigadier Lawson was insisting upon getting what mechanized equipment he could, and these facts should have been known a long time before they were. They should have been given to Colonel Spearing or to the transport controller and should not have caused the debacle—I think that is the word to use—or the fumbling or the bungling or the muddling in connection with what was to be done.

Mr. RALSTON: Should have been given to Colonel Spearing by whom. Who is the hon. member suggesting should have given them to Colonel Spearing?

Mr. BOUCHER: The minister asks who would have given them to Colonel Spearing.

Mr. RALSTON: I am asking my hon. friend to suggest who should have given them to Colonel Spearing.

Mr. BOUCHER: I suggest that they should have had the capacity of the Awatea from whoever would know it.

Mr. RALSTON: The commissioner has found that Colonel Spearing was the one who should get that capacity, because he was movement control officer in the quartermastergeneral's branch which had the responsibility for the movement of troops and the movement of equipment by land, sea and air. That is exactly what the commissioner has found. He found that Colonel Spearing did not take all the care or show the diligence and aggressiveness which he should have to ascertain that as early as he should have.

Mr. BOUCHER: Was it also Colonel Spearing's responsibility to find out what twenty vehicles should be sent when there was capacity for those twenty?

Mr. RALSTON: The report is clear with regard to that. Before you can decide what vehicles are to be sent you must know what space there is. Colonel Spearing found out what space there was available and had to give that information to the director of staff duties and to Brigadier Lawson in order that they might make up what vehicles would fill up that particular space. As I pointed out yesterday, he gave that information to Brigadier Macklin, the director of staff duties, on the 18th, and to the transport controller on the 20th.

Mr. BOUCHER: He gave an estimate.

4852

Mr. RALSTON: It could only be an estimate; it could be nothing else. You cannot tell exactly how many cubic feet are going to be taken up by equipment.

Mr. BOUCHER: The inference which 1 would take, and which I believe the average Canadian would take, is that there is something hinging in the commissioner's mind in connection with the knowledge that was available to Colonel Spearing when he was making his report.

Mr. RALSTON: I do not know what my hon. friend means.

Mr. BOUCHER: Possibly the minister does not, but I think my point is quite clear. Anyway General Schmidlin was relieved of his post. I see no evidence in the report of his ever having given any evidence before this commission. Surely that was his right?

Mr. RALSTON: Certainly it was his right. An invitation was issued to everyone who had anything to contribute to the commission to give it. The commission counsel could have called him, or the government counsel or Colonel Drew could have called him.

Mr. BOUCHER: Was he called?

Mr. RALSTON: I am not certain whether he was called or not. I was present at only three hearings.

Mr. BOUCHER: Condemned without a hearing is what it amounts to.

Mr. RALSTON: The action taken with regard to General Schmidlin was taken before the commisioner's hearing was held. That action was taken by the department and it was taken not as a result of the commissioner's hearing and not as a result of any charge.

Mr. BOUCHER: Is there any excuse for his not having been heard?

Mr. RALSTON: I am talking about the commissioner's hearing; I am not responsible for that. I am saying that I as head of the department investigated this matter that concerned General Schmidlin and I took the action which I described last night before the commissioner's hearing was held at all. The matter of his being called before the commissioner's hearing is quite another thing. My hon. friend seems to think that the action taken with regard to General Schmidlin was taken because of some condemnation by the commissioner's hearing. Whatever fault was found with General Schmidlin was found by me in the department before the commissioner's hearing.

Mr. BOUCHER: The minister is intimating that I suggested that fault was found with General Schmidlin at the hearing. I have already shown that General Schmidlin does not appear to have been called or to have been mentioned in the report.

Mr. RALSTON: My hon. friend said that General Schmidlin had been condemned without a hearing, which meant that in some way or other the report said something about him. I am saying to my hon. friend that General Schmidlin was dealt with in the department.

Mr. BOUCHER: This report seems to indicate that General Schmidlin was never down there. Furthermore, the report, so far as I can see, has not the slightest intimation of condemnation of General Schmidlin, but the fact remains that General Schmidlin was relieved of his post without having given evidence at the hearing, whereas his knowledge in my opinion was apropos.

Mr. RALSTON: He was relieved of his post before there was any commissioner's hearing, before there could be any opportunity for him to give evidence at that hearing.

Mr. BOUCHER: Why was he?

Mr. RALSTON: I stated last night that it was a departmental matter, a matter of my own judgment with regard to the responsibilities of officers. I do not have to wait for a commissioner's hearing in order to take what action I think is necessary.

Mr. BOUCHER: Was General Schmidlin relieved of his post before the hearing because of his mismanagement of the Hong Kong expedition transportation?

Mr. RALSTON: I said that I had gone into the matter myself, that I considered not just this matter taken by itself and that I considered this was a case where departmental officers should be impressed with their responsibilities and should carry them out. I was convinced that running all through this thing was the responsibility of the quartermaster-general's department. I felt that responsibility had not been fully taken, had not been fully carried out, and I suggested, not that the most drastic action should be taken but that General Schmidlin be offered a post somewhere else for the good of the service. He was offered a district which he declined, and he was retired at his own request.

Mr. BOUCHER: The minister has been quite fair in saying that he relieved General Schmidlin of his post because of his misfeasance or nonfeasance, but he was not called before the commission.

Mr. RALSTON: I had nothing to do with calling anybody before the commission. This commission was being run by the commissioner

or by the commission counsel. I gave as little time and attention to the hearings of the commission as possible. If I was going to run the department, I had to run it and mind my own business. I appeared before the commission when the time came for me to be there. I had officers attending the commission. The department was dislocated enough without my taking the responsibility for considering what witnesses should or should not be called before the commissioner. That was a matter for the commissioner, and he had able counsel to assist him. If there was any lack in that respect—and I am sure there was not-I should think it would be supplied by the fact that the leader of the opposition also had nominated counsel to assist in any way, and the government had nominated counsel for the same purpose.

Mr. BOUCHER: I shall not labour the point any further.

Mr. CRUICKSHANK: Why did you not ask Colonel Drew?

Mr. BOUCHER: My answer to that is that if Colonel Drew were to write me I would not be permitted to put in evidence before this house anything he said.

Let us look at this thing, Mr. Speaker, from the point of view of the man on the street. Here we have an inquiry into the Hong Kong expedition and the commissioner himself says that he is restricted because of war requirements in the evidence he can receive. I do not quarrel with that.

Mr. MACDONALD (Kingston City): May I ask my hon. friend—

Mr. BOUCHER: I should like to continue.

Mr. MACDONALD (Kingston City): All right; I shall answer him later.

Mr. BOUCHER: The commissioner makes his report, and he cites part of the evidence, but the bulk of the evidence he does not divulge. The commissioner required counsel who appeared before him to hand in their briefs and all their notes.

Mr. RALSTON: That includes counsel nominated by the government.

Mr. BOUCHER: Then we have a prosecution by the Minister of Justice (Mr. St. Laurent) against a man of very high standing in Canada. I am very glad to hear my hon. friends opposite laugh. It symbolizes their partisan prejudices against Colonel Drew. Then came the withdrawal of that prosecution, with counsel being prohibited from saying a word on Colonel Drew's behalf. We have letters written by Colonel Drew to the Prime

[Mr. Ralston.]

Minister and kept sub rosa. Then we have the Prime Minister's promise to table those letters rescinded. Naturally the public became very curious to know what was in those letters to make the censorship forbid the newspapers to print them. I say to those who were expressing their amusement a moment ago: is it any wonder that the people of Canada are suspicious as well as alarmed over the Hong Kong inquiry, and that they want a free and full and frank discussion of the whole matter? Hong Kong is not like the Dardanelles or Pearl Harbour. The public realize quite well that Pearl Harbour has not fallen into enemy hands, whereas Hong Kong is in the hands of the enemy. There is very little that could not be told the people of Canada about Hong Kong, because the enemy already have a strangle-hold upon it, and there is no need for further military secrecy about it. All this secrecy and this hush-hush policy of the government has but accentuated the fears and anxieties and suspicions of the man on the street.

If the Minister of National Defence had announced that General Schmidlin had been relieved of his job at the time it took place, a great deal of the apprehension that has run rampant throughout Canada might have been obviated. Public morale has to a very large extent been destroyed in Canada by all the suspicions, fears and secrecy that the Hong Kong expedition has engendered. In my opinion the man on the street wants assurances rather than fears and suspicions.

In closing let me say that there should be a full, frank, free and open disclosure of all the facts of this expedition, as well as of our whole war effort, to instil confidence into the minds of the people of Canada. More harm is being done through the creation of fears and suspicions among Canadians, through censorship, secrecy and the hush-hush policy of the government, more harm by ten to one, than would be done by any comfort the enemy could get from publication of all the facts about the Hong Kong expedition, because it does not seem possible that the information could be of any military value to the enemy. I trust therefore that the people of Canada will be given a complete disclosure of all the facts and the assurance of the minister, which he gave in part last night, that such a situation will not occur again.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I had not intended to take part in this debate because it was not until last Saturday that I read the report of the learned Chief Justice of Canada who heard the evidence in the Hong Kong inquiry.

4854

My first point is this. Ever since I have been a member of this house I have taken the stand that it was a mistake for us ever to part company with Japan, to please somebody else. Japan in the last war was our loyal and faithful ally, and she looked after six of the seven seas. I do not agree with the Japanese in sentiment, but sentiment and right are one thing and diplomacy is another. Not only have we parted with our defences, but we have parted with our friends.

I have known twelve of the officers of the Royal Rifles for a long time, including their commanding officer. Four of them I saw off at Saint John-Major John Herbert Price and three others-when they went over in the last war. I am not here this morning to criticize anybody-far from it. I remember that when the Minister of National Defence (Mr. Ralston) gave up the comparatively easy portfolio of finance to accept his present post he received the expressed unanimous support of the whole house, and I am not here to criticize him or my old friend the right hon. the Chief Justice. I think it is a great mistake for us to blame or attack individuals as such, when we here as a whole house are far more to blame for all this disarmament.

While I read this report for the first time only last Saturday, I have read it three times since, and speaking of it not from any partisan standpoint but to win this war and seek no preferment because I have no politics, may I say that the report itself, if you will look at the text, deals with certain questions of fact, and those questions of fact are answered to the best of the ability of a very great Canadian, bound as he is by the exact text of his reference. I knew him before he went to the west and I have always had a great regard for him and his family.

The timing of this debate in my opinion is very bad for the country and the empire. That is one of the things I spoke of last month and the month before. Every second, every minute, every hour, now are to Canada and the empire very fateful on the battlefield, and every hour and every second brings us nearer and nearer to the most awful collapse probably of civilization and a slavery for Britain and for us worse than even death itself. We do not know where we are going to be. I do not know where it is to end, and for that reason I did not wish to speak in this debate at all, and be accused of criticizing anyone or hurting our war effort.

The Japanese situation came up in 1937 in the discussion on the external affairs estimates. The Minister of National Defence was not in the house then—I think he came in in 1940. I remember that in the debate in this house in 1937 I referred to the very grave

Hong Kong Inquiry

danger of imminent war with Japan. I hated to see us lose so faithful an ally. War with America was being preached in all the schools and universities of Japan. To-day the whole far east is involved. The Pacific is on fire. You cannot consider Hong Kong as a unit by itself except with reference to Singapore, Java, Burma and the far east. Hong Kong had been a crown colony for seventy-five years, always under the protection of Britain. We never knew in America how much our whole life was dependent upon the far east. Our mode of living, our mode of transportation, all was dependent to a great extent on the resources of the far east.

Hong Kong was a crown colony, on which Great Britain spent a great deal of money, and we had two units assigned to defend it. I saw some of the men of one battalion-the Royal Rifles, I believe-passing through Toronto on their way to the West Indies; the other battalion was going to Newfoundland. They were doing garrison duty, as they were requested to do by the mother country. Before Britain gave up her bases in Newfoundland, British Guiana and elsewhere, many units did that kind of work, and they were experienced in it. Canada was asked by Britain to take on the Hong Kong garrison, and after due consideration agreed to do so and in a hurry accepted and attempted to do so in a rush. There was too much secrecy and some real mistakes in transportation—only to be expected. If the facts had been given, the loss of Singaport might have been averted.

I listened often in this house, sitting right at this desk, to the pacifist speeches of a very fine citizen who is now gone from us. He was urging when I came back to the house in 1935 that the militia estimates be cut almost to a dollar. When our own government was in and he proposed reductions in the estimates, I told him we were fortunate to have the Girl Guides and the honorary colonels and the Boy Scouts left for an army; for that was about all we had. Do not forget that the first sin of Canada in this war was our unpreparedness for the world's greatest disaster. Whom are you going to blame for it? I cannot blame one man or one leader. The greatest sin this country ever committed was to ignore the danger when they knew of it, when they saw evidences of it every day, when it was clear what the world was coming to. This war is brought upon us as a visitation: there is no doubt that to-day we are answering for the sin of unpreparedness. I ask again, who was to blame for it? I notice people now going around the country posing as super-patriots who told us in those days

that we would have no more war, that war was a thing of the past, and all that kind of thing, and refused to arm and said we could depend on pan-Americanism. They were trying to abolish the army, the navy, the air force, and even did abolish the cadet corps from the schools, and all we were to depend upon were the Girl Guides, the honorary colonels, and the Boy Scouts. What are these gentlemen doing now? Well, some of them are going around the country posing as super-patriots and they do not realize they caused this war. As I said in this chamber two or three months ago, if I had been guilty of taking a stand of that sort for years before this war I would come to this house and admit I had made a mistake and that I had helped cause this war, and I would have sat on the penitent bench and admitted my share of responsibility for what has befallen Hong Kong and Singapore and the rest of these places which have been overrun by the ruthless enemy of mankind.

Since I entered public life I have had a great deal to do with the Public Inquiries Act. The origin of the act was in the municipalities of Ontario, in the days of Sir Oliver Mowat. It was applied in the case of heads of departments when anything went wrong. It was utilized in Ontario and other provinces. and afterwards, I believe during the days of the Langevin block, it was adopted by the federal authorities as part of the revised statutes of Canada. This particular statute is referred to in the publication of a very learned jurist. I call the attention of the Minister of Justice (Mr. St. Laurent) to the textbook of Sir William Meredith, entitled "Public Inquiries, Federal and Provincial". This subsection was first extended to servants by 3 Edward VII, chapter 18, section 69 (1). A great Prime Minister, the Right Hon. Winston Churchill, dealing with this very question. told the House of Commons on January 27, as reported in the British Parliamentary Debates. volume 377, page 593:

But no one need be mealy-mouthed in debate, and no one should be chickenhearted in voting. I have voted against governments I have been elected to support and, looking back, I have sometimes felt very glad that I did so. Everyone in these rough times must do what he thinks is his duty.

That is the opinion of the Prime Minister of Great Britain, and as a result there have been many debates. See the record of the debate of July 1; there are pages upon pages of it, contributed to by major-generals, admirals, commanders, air marshals and scores of members of parliament, and almost everybody else, and the government say that they are very glad to have it as long as it is constructive criticism. I wish at this point to refer to the need of a war cabinet to take up these questions. As the two prime ministers of Australia have said, and Sir Keith Murdock, the dominions are not willing to take the responsibility of complying with orders to send troops here, there, and everywhere, without having something to say as to the circumstances. The war cabinet was a good thing in the last war; it will be a good thing in the present war if our three ministers had somebody to advise them.

With reference to the appointment of commissions under the statute to which I have referred, Chief Justice Meredith expressed himself as follows in the footnotes of this text book:

The judge does not act judicially in holding the inquiry. He is in no sense a court and has not power to pronounce judgment imposing any legal duty or obligation on any person, and he is not, therefore, subject to control by prohibition.

This is from the decision in Godson and Toronto (1889), which went to the Supreme Court and is reported in 18 Supreme Court Reports, page 36.

In this case there was some kind of inquiry into the works department of the city hall. The contractor, a capable man and in many ways a good citizen, applied for an injunction. It came before the chief justice, who stated:

It has been held by Robertson, J., in re Godson and Toronto (1888), 16 O.R. 275, that prohibition would lie, and he expressed the opinion that if the judge, in the course of his investigation, took evidence in the United States, "any oath administered by him would have no legal significance. . . ."

And so forth. The Godson case was followed in re Thomas' License (1895), 26 O.R. 448, and in Chambers v. Winchester (1907), 15 O.L.R. 316. There is power under this section to order an inquiry into an election for members of the council and board of education at which it is alleged that corrupt practices have prevailed, the election being a "matter connected with the good government of the municipality". The court will not, in an action by a ratepayer for an injunction, interfere with the conduct of the inquiry by the judge in regard to the admission or rejection of evidence, et cetera.

It was decided by Chancellor Boyd, a very learned judge, in the case of Chambers v. Winchester, that the inquiry should be conducted in open court, but in exceptional cases "the commissioner will exercise a wise discretion in excluding witnesses (while one is being examined) or in excluding the general public where the disclosures are of a nature unfit for publication, but evidence should not be taken behind the back of the person chiefly

4856

[Mr. Church.]

interested." When the learned commissioner is functioning under this statute he is not entitled to the word "judge," he is called "commissioner" or "Mr. Commissioner." Certain immunities from prosecution, for instance of county court judges for libel, are provided under the Judges Act. Outside of that the judge, in holding an inquiry, is just a committee of the legislature. As I have said:

The frequency, of recent years, with which judges are drafted for all kinds of such work impairs the efficient administration of justice and causes congestion in the law courts, and, as they are largely only fact finding commissions when appointed, they duplicate the efficient powers and functions of parliament, of the committees thereof, and of the many outside boards of recent innovation in war work, and furthermore they are a costly adjunct to good parliamentary government of the people, by the people and for the people, cause delays and interfere with parliament's right to immediate solution of social and economic problems of "judicial commission government" is slowly being built up in Canada.

This matter was referred to the chief justice. I believe in the report he has dealt with all the facts very ably and conscientiously. He had before him the witnesses and all the papers, and three of the ministers were before him. I was urging the same thing myself a year ago in connection with the campaign in Libya. At that time I pointed out that Australia had 100,000 men in Libya, that she had many thousands of men in Greece and in Crete, that she had been guarding all that territory and was helping the Dutch East Indies. Mr. Menzies, the premier of Australia at that time, came here and sat in front of the throne you occupy, Mr. Speaker-and by the way, sir, may I congratulate you on the patience you have shown throughout this session-and he told us exactly what the situation was in the far east. An unwritten agreement was entered into between Britain, the United States, and Canada with respect to the Pacific ocean in 1938. I remember when the then minister of national defence in 1938 explained what it was. He outlined the cardinal principles of the agreement. Britain had not the necessary fleet because it had to withdraw ships into home waters if war came. The result was that we depended on the United States for our naval protection in the Pacific-at any rate very largely. We had no fleet of our own except such as was set out in the return which the minister tabled in his estimates in 1938.

What happened? This war came and the other dominions were found to be depending on the mother country. They had strong garrisons not only at Hong Kong but in Hong Kong Inquiry

many other places, in the West Indies and in India as well. They had to be recalled to fight the battles in Libya, because it could not be expected that a country like Britain, which had to a considerable extent become demilitarized as a result of the importunities of the pacifists and those responsible for this war, could guard the seven seas, when she guarded only one in the great war. The result was that they had to withdraw part of the garrison at Hong Kong, and they asked Canada if we could send troops to take their place. We had a garrison at Bermuda in the West Indies and one at Newfoundland. The cabinet met. I remember the minister was in Los Angeles at the time. I read the report in this connection and I can almost repeat it when I once read it. He was away and the minister who suffers from this thing is the Minister of National Defence for Air (Mr. Power), who is head of one of the finest patriotic homes in Canada, and whose household represents real sacrifice and patriotism as well. Canada was asked by Britain to help and, as it was her turn, decided to do so in an empire sense, and did, by those who were serving formerly in garrisons in the West Indies and Newfoundland.

There were some unfortunate mistakes, as we can find indicated in the report. The evidence is given and the officers and the three defence ministers are named. We were not a military country, Mr. Speaker, and we were not ready for war. That is the truth of the matter. We had no friends. Down to that hour we had no friends because it was not as a result of diplomacy that Russia came into the war. Russia came into the war through the mistakes Germany made. There was nothing that Britain did in the way of diplomacy that could induce that great ally, Russia, to enter the war on our side, and we were fortunate when later on that other valuable ally, the United States, which had been isolationist up to that time, entered as a result of Pearl Harbour. Pearl Harbour was the mistake that Japan made and it brought in our great friend to the south.

However, the contingent was sent and as I say a great many mistakes were made. There are always mistakes in connection with mobilization and mistakes will continue to be made. I have no desire to shield anybody. The Minister of National Defence and his colleagues are well able to take care of themselves, but in my opinion the blame for the present dangerous situation rests on the pacifists who babbled away for years, and cost us all our friends. They were responsible for our unpreparedness. We had no adequate defences, and they left us unprepared for the

greatest war in history-so great that we may possibly be yet engulfed. This matter has been discussed for a long time. Mr. Attlee in the British House of Commons made a statement on January 8 in which he said that the government took full responsibility. He said that the member who had been criticizing might put the blame where he liked, and carry it back as many years as he liked, but Mr. Attlee's point was that it was unfair to blame local commanders for deficiencies for which they were not responsible. Mr. Churchill was aware of the iron limitations imposed upon the country by unfortunate circumstances-limitations upon supplies, involving the necessity for priorities as between different theatres of war.

The governments of New Zealand and Australia indicated that they had known what the situation was and it is also said that Canada knew. Canada knew what? Canada knew the weaknesses of the British position in the far east; there is no doubt about that. Mr. Menzies and Mr. Curtin knew all about it, and Sir Keith Murdock, owner of a great newspaper, the Melbourne Herald, writing in the London Times, expressed the belief that we also knew. We knew the situation, we knew the weakness of Britain in the far east, and there were assessments of priorities between different theatres of war in consequence. British regulars from the far east went to Libya, and Libya and Russia got the preference. The result was that there was not enough to go round. I am not at all surprised at what has happened. I predicted what would happen. We should have been in command of the far east sooner. Let us face facts. I do not think that things have been put in their proper perspective up to date. I say, let us face realities. As Mr. Churchill has said, it is no use simply looking for a scapegoat; you have to do something more than that. In Libya the British authorities replaced General Wavell, the greatest genius the war discovered. He was succeeded by General Cunningham, who resigned in con-sequence of alleged illness, and General Ritchie, a fine young general, replaced him and was there only five days. They had no supplies or munitions. He was replaced and now we have General Auchinleck. Let us see the picture as a whole and see it rightly. If we face the facts, I think it will be admitted that parliament has singularly failed during the past twenty years, the most vital twenty years in the history of the world, the outcome of which might possibly be the downfall of civilization. We as members of parliament should take some responsibility. This debate is badly timed, coming off in the month of July, with the world situation as it is, but I [Mr. Church.]

think it will do some good if it urges upon the government the importance of giving more publicity and of taking the people into their confidence and of acquainting them with the facts and of our very grave peril. The whole story of Hong Kong was told in

the British House of Commons on March 11 last by Mr. Eden who gave the details from eye witnesses. I will not read it. There it is. There is the text of the report he gave the house, and hon. members who care to do so can read it. But the fact is that the Canadian people hear about these things only from secondary sources. You can hear it over the British Broadcasting Corporation, you can read it in the New York Times, you can see it in United States magazines. In a great British magazine I found all the details as given by Mr. Eden in the British House of Commons, and there is nothing in it that anyone should not know. It is precisely the same as what Japan did in 1933 to the Chinese. That shocked the whole civilized world and it was repeated at Hong Kong. They had their German gestapo police there to tell them what to do. There is nothing in it that need be hidden now; it is history.

I say, Mr. Speaker, that the time has come when we should have a war cabinet, because the dominions have a very considerable interest in this war. I have urged one for two years, as in the last war, to save us from such errors and lack of information. We do not know as yet to whom this country is going to belong. If our empire goes down, all is lost. It would do a great deal of good if from now until the end of the war the government would table all papers and let the people know what is going on. Give them the truth, the whole truth, and nothing but the truth. The last twenty years have been the most fateful in the history of the world. This world threatens the safety of our whole civilization. On January 8 in the House of Commons in London all that was given by Mr. Attlee. There should be no hiding, no secrecy. Let us build up from the worst of the facts. Let the people know it all.

We should have had a war cabinet long ago. The dominions will no longer stand for grave decisions such as Hong Kong and the far east being given against them without their having anything to say about it beforehand. Mr. Menzies, and his successor, Mr. Curtin, have told us all about this, and so did Sir Keith Murdock in the London *Times*. They said that for three years the dominions knew of the very grave weakness to our empire of our defences in the far east. It was said by London papers that Canada was told the same thing and said nothing about it until the war was on. Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): On February 5 I said that it would be better for the Canadian soldiers and sailors to forget Hong Kong but that we should remember it all our lives. There has been some complaint about the report made by the commissioner, who happens to be the Chief Justice of Canada. He is a very kindly old gentleman as well as a great imperialist, and he has coated the pill. But if you remove the coating of sugar the pill leaves a bad taste in the mouth.

One has only to take the trouble and have the patience to read the report to see that everything is in it. In the first place the chief justice recites the tenor of the order in council in virtue of which he was appointed. Then he gives the reasons why an expeditionary force was sent to Hong Kong. His report is divided into three main parts. First he deals with the authorization of the expedition. He says:

The principal considerations prompting the invitation by the government of the United Kingdom to the government of Canada to send reinforcements to Hong Kong . . . are set forth in the telegram containing that invitation, dated September 19, 1941.

He goes on:

These considerations were largely those which influenced the Canadian government in accepting the invitation. I have been unable to obtain the consent of the government of the United Kingdom to the textual reproduction of this telegram.

Note, sir, that this was drafted by a man of great experience, who knows the exact meaning of each word. He says that he could not reproduce the telegram textually. But we know what was in the telegram, because the report tells us. It is precisely the reasons that have been disclosed by the evidence.

What are those reasons? I will take them one by one:

The chief of the general staff having expressed to the government his opinion that there was no military objection to the acceptance of the proposal—

Note that: "there was no military objection." It was not a military necessity. The chief of the general staff does not say he himself has thought of that, no; but "there was no military objection" from Canadian headquarters to the acceptance of the suggestion made by the British government. The sentence concludes:

and that the reinforcements ought to be dispatched.

Well, there was no objection.

. . . the view of the war committee, as disclosed in the evidence of three ministers of the crown, the Minister of National Defence, the associate Minister of National Defence, and the

Minister of National Defence for Naval Services, was that in the circumstances the only possible answer to the invitation was an affirmative one.

Of course they had to say that. You have the evidence of the guilty party. The three ministers were those who agreed to it, and they say there was only one possible answer— "yes". It is evident that they should have spoken like that.

Now, what were the principal considerations prompting that invitation from the British government to the Canadian government? Here they are, as disclosed by the evidence of the three war ministers. I will take them one by one. First:

In view of what other dominions had done in Abyssinia and Libya it was Canada's turn to help.

That was the first reason. The leader of the opposition (Mr. Hanson) on February 24, 1941, said, as reported at page 942 of *Hansard*:

To me personally there is an element of regret that no Canadians participated in this campaign.

That was the African campaign. Well, who decided that it was Canada's turn to help? It was precisely the three ministers. On what grounds we do not know. Then the second reason:

Canada ought to share in the responsibility for garrisoning the Pacific area, just as Australia was assisting in Malaya;

In virtue of what obligation? Nobody has said. And the third reason is:

. . . the military value of the reinforcement would be out of all proportion to the numbers involved.

That sentence I do not understand

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. POULIOT: I do not rise to a question of privilege but I hold in my hand a copy of the Ottawa Journal of to-day, in which there is an article referring to my questions respecting the compound gin. My first answer is that I want my country to be as well defended under the law as that concoction is protected against the law. And there is the second very important reason: I do not want the poor people and the soldiers to be poisoned by this bad stuff which is advertised for sale under false pretences and against the regulations.

To return to the subject I was discussing before the adjournment, may I point out that the fourth consideration for the acceptance of the invitation by the United Kingdom to the Canadian government to send reinforcements was that the arrival of the contingency—and that must be a clerical error; it must mean the contingent—the arrival of the contingent in Hong Kong would have had a great moral effect on the whole of the far east.

It was three days after the adjournment of the house on November 14, 1941, to January 21, 1942, that the Canadian troops arrived in Hong Kong. On November 17 there were front-page items in all the daily papers. The first one was a Canadian Press dispatch from Washington as follows:

Kurusu-

Who was the special emissary of Japan.

Kurusu talks to open to-day. Japanese peace envoy will call on state secretary Hull. Basic differences of opinion believed bar to settlement on Pacific problem.

The second dispatch was from Hong Kong:

Canadian troops reinforce Hong Kong, guard key colony. Quebec, Manitoba units sent to check aggression. Troops arrival across Pacific thrills and encourages oriental outpost.

The third one was from Ottawa:

Prime Minister mackenzie King, in announcing in Ottawa Saturday night the arrival of the Canadians at Hong Kong, said that defence against aggression, actual or threatened, in any part of the world to-day is part of the defence of every country which still enjoys freedom, and that the dispatch of the Canadians to the orient was in accordance with this view.

The same words were used by the Prime Minister as in the Hong Kong dispatch.

The fifth consideration was this one-

-and would reassure the Chinese as to the British intention to hold Hong Kong.

I have a clipping from the New York *Times* of December 26, which reads as follows:

Hong Kong's loss long anticipated. Important trade centre was never regarded as strong military position, Canton's fall a blow. Japanese then flanked the British on mainland, and commerce declined.

Here is the first paragraph of that article; I am sorry I cannot read the whole of it:

The British crown colony of Hong Kong has been one of the most important trade centres of eastern Asia for a hundred years, although it has never been regarded as a strong military position. Until its garrison was strengthened by a Canadian contingent about the middle of last month, the general impression among military and naval experts was that it would be abandoned in the event of hostilities between Britain and Japan.

Hong Kong was excellent as a trading post, but was an absurdity as a military outpost. Here is the sixth consideration:

The moral effect of the expedition might operate as a sensible influence for the preservation of peace there.

[Mr. Pouliot.]

How could peace be preserved by an act of war against a neutral country? Then, on November 28, on the inside pages of the dailies was the following item:

Hong Kong troops to get cigarettes from buckshee fund.

Then on December 5:

Japan to reject the United States basis for negotiation. Orient war issue to reach climax to-day. Outlook is gloomy.

And on December 6:

War declared by Great Britain on Finland, Roumania, and Hungary.

And this Canadian Press dispatch on December 5:

Canada to war on new enemy, but may not intern nationals.

On December 8, which was a Monday, there was a report of what had happened at Pearl Harbour the day before. That information is contained in the following:

Japanese open war on empire and United States. Bomb Hawaii, Hong Kong, land in Malaya, raid Singapore; Dominion enters conflict.

And later, this Hong Kong Canadian Press dispatch of December 7:

Canadians fear scrap as war theatre shifts to orient.

And on January 21 of this year the house was informed officially that Canada was at war with Roumania, Hungary, Finland and Japan as from December 7, 1942. And it is to be noted here that Pearl Harbour was bombed with gasoline from the United States and scrap iron from Canada.

The seventh consideration is this: The expedition left Canada on October 27 and arrived at Hong Kong on November 16. At that juncture in September the action taken was beyond measure important. The chief justice mentioned the telegram sent by the war office on October 30, and quotes it in part as follows:

The moral effect of their arrival-

The arrival of Canadian troops.

—in November will be much greater than it would have been two months later.

Two months later would have been on January 16, three weeks after the surrender of Hong Kong, which surely would have been quite late.

On page 6 of the report General Crerar is reported as having said:

Information at my disposal during latter part of September, 1941, indicated that outbreak of hostilities with Japan was not imminent and that time would, in all probability, be available to carry out intensive, adequate and possible extensive training of Canadian forces at Hong Kong after their arrival.

General Stuart agrees with this.

Let me give the house some headlines and reports which appeared in newspapers in December. December 9:

Hong Kong is bombed twice, one Jap downed. December 10:

Axis behind Japan's sudden smash at U.S. Hong Kong repulses Jap invasion. Canadian troops see first action.

December 11:

The Prince of Wales, the pride of the fleet and the stout battle cruiser Repulse sunk.

And a Canadian Press cable from London: Greatest naval loss Britain has suffered since the battle of Jutland.

And some more from the press of December 11:

Hong Kong repels two Japanese attacks. Entire landing party wiped out. Machine guns sink two boatloads.

The Japanese were sinking the *Prince of Wales* and the *Repulse* while we were sinking two boatloads of Japanese with machine guns. A Canadian Press dispatch from London, December 16, read as follows:

Britain concedes Hong Kong and Singapore in danger. Defence of far east posts had been based on navy's aid. Sea control gone. Hong Kong problem aggravated by feeding of 1,500,000 Chinese civilians.

December 12:

Chinese drive aids Hong Kong. Chunking reports inflicting 15,000 casualties on Japanese. Hong Kong fight raging.

December 13:

Japan reports Kowloon taken. Forces said massing for attack on Hong Kong fortress.

December 15:

Japs announce Hong Kong drive as colony spurns surrender.

Ottawa, December 14:

Canadians at Hong Kong will uphold traditions.

December 15:

Britain concedes Kowloon lost. Forces join in Hong Kong defence. Advices from Hong Kong said imperial forces on the peninsula in the face of preponderant Japanese strength, had begun a methodical withdrawal.

December 18:

Second ultimatum sent to Hong Kong is rejected. Hold on! is advice from London in cable of praise to defenders.

December 19:

Japs claim successful landing on Hong Kong island. Resistance fierce. Tokyo tale unconfirmed. Further operations under way. Chinese ease pressure. Chunking troops harry invaders outposts, inflicting heavy losses. December 19:

Desperate battle rages for possession of Hong Kong. Colony is isolated. Garrison fights valiantly without hope of reinforcement. Japs claim victory. London admits situation serious. Defenders will hang on to end.

Hong Kong Inquiry

December 21:

Empire thrilled as Hong Kong defence holds out. No hope of relief. The King and government officials send messages of praise. Japanese are amazed. Governor of colony exhorts troops in rock-hewn stronghold.

Ottawa, December 22:

The position of Canadian troops at Hong Kong is confused.

That was a statement of the minister of defence, December 23:

Ottawa hears Lawson killed. Ralston to say when general casualty list or further information due.

We do not have that yet. Ottawa, December 25:

Hong Kong, defence minister Ralston said to-night, will be a sombre but glorious page in the record of the Canadian army.

Mr. King said the resistance of Hong Kong defenders had spared the defenders of the Philippines and Malaya even stronger assaults than they had to withstand when gaining time was important.

The Canadian contingent took with it heavy supplies of equipment as a precaution against the interruption of communications with home and the possibility of a siege.

That is what was published in the press. A Canadian Press dispatch from London, December 26:

Lack of air support at Hong Kong held partly to blame for its loss. War office issues graphic story of defence by British, Canadian and Indian troops against overwhelming Japanese odds.

In my humble view that is one of the main reasons why the Hong Kong expedition should be condemned. Parliament has not been consulted. If my colleagues will take the trouble to go back to Hansard of 1933 they will see what was said then by the present Prime Minister, by the then Prime Minister, Mr. Bennett, and by the present Minister of National Defence. At that time the house was discussing a bill respecting visiting forces of his majesty. This was a kind of imperial legislation supposed to be passed by the dominion parliament because of the statute of Westminster, strange to say. The present Prime Minister was quite definite in his statement that parliament should be consulted before troops were sent outside of Canada. On this particular occasion we had not declared war on Japan. The expedition left in October, arrived in Hong Kong in the middle of November, and war was declared on Japan by Canada on December 8, with a

retroactive effect to the day before. It is strange that a country with a population as small as ours should do things like that in spite of statements which have been made repeatedly by the leader of the Liberal party and even by Mr. Bennett. Replying to the late Mr. Lapointe, Mr. Bennett said that the act was merely pro forma in character, that it brought about just minor changes. The present Prime Minister is reported on page 2722 of Hansard of March 6, 1933, as follows:

In other words, the government of the country apart from express authority from parliament should not have the authority to place Canadian forces under a single command in any other part of the empire or in any other part of the world.

I quote from page 2723 of the same Hansard:

Also is there not a possibility that section 6 will be construed as giving to the Minister of National Defence power which up to the present time we have assumed would be exercised only by parliament itself?

And from page 2726:

I submit that it would be within the power of the Minister of National Defence himself under the provisions of the bill now before us all this before parliament had any say in the matter at all. I believe that phase of the matter should be looked into very carefully before we proceed finally with the bill.

And again from the same page:

Mr. Bennett: If forces are sent beyond Canada it must be for the defence of Canada.

Mr. Ralston: It always has been so. Mr. Bennett: That is the first point. Then it is provided that parliament must be called to meet within fifteen days in any event.

And from page 2727:

Mr. Mackenzie King: May I just make doubly clear the position I take in the matter. assume that this act has really been drafted by the British government and not by our own government.

The present Minister of National Defence went on, and his idea was precisely that the orders in such a case should be delivered, not by the Minister of National Defence, but by the governor in council. Thus we see a difference of opinion between the present leader of the government and the Minister of National Defence. The leader of the government wanted parliament to be consulted, and the Minister of National Defence wanted the matter to be decided by order in council rather than by the minister himself. Those were the views that were expressed on those occasions.

The second point dealt with by the commissioner in his report was the selection of the units for the expeditionary force. He savs:

If this handicap, as General Crerar describes it, from the "short supply of mortars and anti-[Mr. Pouliot.]

tank rifles", was to be a reason for exclusion from the expeditionary force in the case of the two battalions in question, then that reason was based upon a condition that, to repeat General Crerar's words, "was general in all to the Royal Rifles and the Winnipeg Grenadiers" and must have applied equally to all such units; with the logical result of excluding all.

If all were excluded, why send these units on? General Crerar was referring to the handicap arising from a short supply of mortars and anti-tank rifles.

Then at page 6 the commissioner makes his third point, as follows:

Third, of the steps taken to bring the units up to strength, including first reinforcements . . In an interval of not more than two weeks it was necessary to obtain the required additions . . . but also with extreme secrecy.

The commissioner goes on:

A period of sixteen weeks has been laid down as the standard period to be devoted to the training of an infantry recruit before sending him overseas. In individual cases and by reason of the exigencies of shipping, this standard has on occasion not been enforced. Of the men added to the strength of the Hong Kong expedition, all but about 6 per cent had undergone more than sixteen weeks military training after enlistment in the active army. As I have already said, all these men volun-teered for service with the expedition and all were accepted as suitable by officers of the battalion to which they were going.

Sixteen weeks is four months, and if four months' training is sufficient, why did the minister by a stroke of the pen extend that period indefinitely? That is the question.

The report is long enough to justify very long speeches, but I want to be brief, Mr. Speaker. I quote from page 7:

The war office was most anxious that the troops should go on this ship, as another opportunity to sail was not likely to occur for two months.

The report goes on:

Shortly before the expedition sailed, space for the vehicles unexpectedly became available in an American ship and that ship sailed with the vehicles on November 4, but did not reach its destination before the outbreak of hostilities, as she was diverted by the United States naval authorities.

There the commissioner excuses the staff. But why did they not press the matter with United States naval authorities in order that the troops at Hong Kong could get their supplies?

At page 8 the commissioner says:

There is no evidence, however, that the troops suffered through the lack of them, or that they were not supplied at Hong Kong.

4862

A Mr. C. E. Ross escaped from Hong Kong and tells his story in *Maclean's* magazine of July 1. I quote part of it:

July 1. I quote part of it: The majority of the Chinese stuck to their A.R.P. posts, food control and other duties very well indeed, although considerable trouble was had with the Chinese truck and lorry drivers. They simply stopped their cars and beat it when the shelling was heavy, usually taking the keys with them, and the majority of them didn't return. We were urgently appealing for foreign truck drivers, men and women, all the time. There was so much trucking to be done, mostly military, but a great deal in handling food for feeding kitchens and distribution centres. Large food and rice stocks had to be snatched from burning warehouses and salvaged for use.

Here we are, Mr. Speaker, with the debate about to conclude, and yet there are many things to say about the Department of National Defence. What the hon. member for Vancouver South (Mr. Green) asks for by his motion is a reorganization of the Department of National Defence. That is what I have always advocated, and it is necessary that it should be done. We live in a very strange country. You know, sir, the old Latin phrase, poeta natus est-a poet is born, and it would seem here that ministers are born, and when born they are supposed to be infallible, incapable of making any mistakes. Changes are made in all other countries, but here there are none. I think, sir, it is time to change. I think all three branches of the Department of National Defence should be reformed, and not by the feet but by the head. I think it is an absurdity, when we speak so much in favour of coordination, to have three ministers of war. During the last war there was only one minister of war, and no minister of munitions and supply. What happens here reminds me of something I saw between Wallaceburg and Chatham at the time of "Honest George" Henry's election in 1934. I was travelling along the road with a friend for whom I had been speaking and I asked him if men were working on the highway. "Oh, yes," he said. I saw that the road was beautiful and the weather was beautiful, but I could see no men working, but at a turn of the road there was an elevation to the left and there I saw crowds of men standing with shovels in their hands. I asked my friend, "Are these men working on the road?" "They are supposed to," he said. But those men were 100 feet from the road, and there were so many of them that they were afraid of hitting each other with their shovels if they started to work. That gives me an idea of what is happening in the different war departments now.

There is something which I do not understand. It is no insult to a shoemaker to say that he is incompetent as an astronomer, nor is it an insult to the astronomer to say that he is incompetent as a shoemaker, but here in this house, if we say of a minister that he is incompetent the immediate effect is to see him jump up in a rage as though one had lighted gasoline under his seat, and he cannot even conceive that one man may think him incompetent for the job he holds. But it is no insult to hold such an opinion, Mr. Speaker; it is just a matter of appreciation.

The ministers of defence have full-time jobs. and I do not see how the Minister of National Defence can be Minister of National Defence and perpetually serve also as guardian to the present Minister of Finance (Mr. Ilsley), who is exceptionally well gifted. It reminds me of an occasion when I heard Lord Hailsham, the Lord Chancellor, mumbling something. I could not understand what he said and asked him, "Did you say you are the guardian of the king?" He said, "No, I am the guardian of his conscience." I wonder whether the Minister of National Defence looks upon himself as a guardian of the conscience of the Minister of Finance. Certainly the Minister of Finance does not need that. I want the Minister of Finance to be free and not to have a mentor always beside him. That the Minister of National Defence should be perpetually busy as acting Minister of Finance is a great absurdity. Therefore let us suggest to the three ministers of war that they drop gently from the picture. They say they are not infallible, and they are not indispensable either. I suggest to the Prime Minister that he might do what President Roosevelt did to General MacArthur. Roosevelt is a good man and MacArthur is a good man; they put their differences aside, shook hands and worked together for the . common good.

There is one reform which I suggest to the Prime Minister. He has already told me that he is free. If he wants the war effort to be carried on in this country as it should be, he should have the very best leader to help him and I assume he would accept a man of that quality. The best way to have coordination in the war departments is to put them under a single head. The man whom I suggest-I do not recommend him, because I have no authority to recommend—is a good Liberal, a man who had marvellous accomplishments to his credit in the part of the country where he lives. He is a man who is quick, and we need men who are quick, so that nothing comes too late. That man is bright: he has bitter enemies but he has also good friends. I owe nothing to him and I expect nothing from him.

He was once my colleague in this house. He is a man for whom I have great admiration, and a man who can do more for the war effort than any minister has done until now—under the Prime Minister, I assume. That man is the Hon. Mitchell Hepburn, Premier of Ontario. Some hon. members may not agree, but if he were put in charge of these three departments we could be sure that the Canadian war effort would be much better than it is now.

Hon. H. A. BRUCE (Parkdale): Mr. Speaker, my first words in participating in this debate must be those of tribute to the brave men who fell in Hong Kong for our defence; who fell because they were no match for the overwhelming army of Japan, throughly equipped with every form of armament which modern science can supply in war. It is no disparagement of them that they went down as they did in defeat. I wish to express my heartfelt sympathy with the relatives of those men—those who made the supreme sacrifice and the others who are now languishing as prisoners of war.

I regret having to take part in this debate. The reason is that the commissioner, the Chief Justice of Canada, is a very old friend of mine. But I do not think that on that account I should refrain from saying something with reference to the judgment he has handed down on the facts which were placed before him. We know that not infrequently counsel have appealed to the privy council against his judgments in the supreme court. I might instance the late Norman Tilley, who also was a great friend of the chief justice. My own feeling is that the chief justice, if he erred in his conclusions respecting certain evidence which was placed before him-and I believe that he did-did so only because of his lack of military knowledge.

I desire to refer for a moment to a speech made yesterday in this chamber by the hon. member for Brantford City (Mr. Macdonald), in which he sought to belittle the military training and standing of Colonel George Drew. May I point out that Colonel Drew was a youngster of only twenty when the last war broke out; that he immediately enlisted in the 16th Battery of the Canadian expeditionary force; that he went overseas the following year; that he was wounded in France in 1916, and when able to be about again, took up instructional work for the forces. After this he spent three years in hospital recovering from the wounds he sustained in battle. I ask the hon. member for Brantford City if he expected a young man [Mr. Pouliot.]

of twenty-one upon going overseas, and who was later wounded, to have attained the rank of lieutenant-colonel during that war.

Mr. MACDONALD (Brantford City): I did not expect it. I merely pointed out that he had not, although many people thought that he had. I detracted in no way from the military service of Mr. Drew.

Mr. BRUCE: Well, I am afraid that was the inference left by the hon. member. I do not think that any of Colonel Drew's friends would claim that his present knowledge of modern warfare is due to his experience in the last war, but it is because he has maintained since then a keen interest in military affairs. In proof of this I will give a brief review of what he has done. He took command of the 16th Battery at Guelph on its reorganization in 1920, and commanded this unit until 1929, when he took command of the 11th Field Brigade with headquarters at Guelph. He is honorary president of the Toronto Flying Club, past president of the Canadian Artillery Association, honorary president of the Ontario Artillery Association, and second vice-president of the Dominion Command of the Canadian Legion, British Empire Service League.

I quote from an issue of the *Globe and Mail* of July 6 a report of a broadcast which was given by Colonel Drew over the British Broadcasting Corporation in England in September of last year.

Mr. FRASER (Northumberland, Ont.): Would the hon. member permit a question? Who is this person, Colonel Drew, to whom he refers?

Mr. BRUCE: I think I can afford to ignore the interruption of the hon. member for Northumberland, Ont. (Mr. Fraser). The report I am about to give is on the subject of a plan of victory. Amongst other things, Colonel Drew said:

The outstanding lesson of this war is that there must be the closest possible team-play between the air, the land and the sea forces. . . I think it is clear that if we are to defeat Germany we must defeat the German land forces. I believe it can be done, but not with the forces now in existence. The events of the past two years have imposed the needs of a special type of hitting force. It must be divided into fast, compact, hard-hitting units which can be transported easily by ships, and these units must be trained to work in the closest cooperation with aircraft, parachute troops and air-borne troops.

He said further on:

Our task is to create a hitting force so much more powerful than anything Germany has yet produced that it will be able to overrun a superior number of panzer divisions and leave the way open for the larger holding forces. It can and must be done. Further on he suggests that Canada is the place where such training should be carried out:

Canada offers the space and freedom from air attack which would make it possible to give the right type of training to such an offensive force... If the attack force is to be properly trained it must be in close cooperation with the aircraft and air-borne troops... This force should be an empire force under the direction of experienced men from the whole empire.

Commenting on that speech over the British Broadcasting Corporation the London *Evening Standard* said that:

The British military authorities are not letting the broadcast suggestion of Colonel Drew go unnoticed. Colonel Drew speaks with authority. He says the only way we can win this war is by the creation and training of an overwhelming panzer army trained in Canada.

There are other favourable comments from the London newspapers which I will not stop to read. When the Canadian edition of the British Encyclopædia was being brought out, the late Sir Arthur Currie was asked to recommend some Canadian officer to write the article on Canada's forces, and Colonel Drew was selected by Sir Arthur for that task. The article appearing in the Canadian edition of the British Encyclopædia, entitled "Canada's Fighting Army", was contributed by Colonel Drew. From the record I have given of Colonel Drew it will appear that he has continued to take the liveliest interest in military affairs ever since 1916. I have no hesitation in saying that men who have not advanced in the intervening years since the last war have no knowledge of modern warfare.

The hon. member for Brantford City, speaking this morning, said that the investigation before the royal commission and before a committee of this house lasted almost one year, and he charged the present counsel for the leader of the opposition, Mr. George A. Drew, K.C., with holding up the production of Bren guns in Canada for at least one year. I can tell the hon. member that the production of Bren guns was not held up for one day, because the Inglis plant was being set up during the entire time that the inquiry was being held. There was no stoppage. Colonel Drew was one of the first in Canada, if not the first, to recommend the production of Bren guns in this country. He made that recommendation in the fall of 1935 before the conference of defence associations in Ottawa.

Mr. MACDONALD (Brantford City): Does the hon. member for Parkdale know that while the investigation was going on, the manager and officials of the Bren gun plant were in Ottawa for almost a year, and that therefore production could not go on?

Mr. HANSON (York-Sunbury): The organization of the plant went on from day to day.

Mr. MACDONALD (Brantford City): That is incorrect; it did not go on. There was one year's delay. I take back nothing I said about Colonel Drew this morning.

Mr. BRUCE: I do not think the reason given by the member for Brantford City is a valid one. With proper organization there is no reason why the work of getting a plant ready for production could not go on.

Mr. MACDONALD (Brantford City): It was just being organized.

Mr. BRUCE: There is a tendency to adopt the cynical attitude that what Canada may do or fail to do will not decide the issue of victory or defeat in this war. That is a poor defence for inefficiency. It is true that from a population of twelve million Canada cannot hope to defeat the axis armies; but Canada is not fighting alone. Canada is fighting as a partner on the side of the allies, and it is the sum total of the efforts of these allies that will produce victory or defeat. It was stated in a press dispatch a few days agolast Saturday, I believe-that one convoy arriving in Libya might turn the scale in Rommel's favour, so evenly balanced were the two forces. It might very well happen, therefore, that Canada may produce that weight of fighting power which, thrown into the balance, may turn the scale of war into victory for the allies.

We are fighting professional soldiers trained over long years who will make few mistakes. We cannot afford to make mistakes. We cannot win with untrained men against men who have been trained in actual warfare for many years. We must look at what happened in connection with this small expedition, not with the idea of finding scapegoats, not with the thought even of punishing for the sake of punishment, but merely for the sake of increasing our fighting strength by weeding out from positions of high responsibility those who have been tested and found wanting. Here we have under examination the very simplest type of military operation. The war committee, the Department of National Defence and the headquarters staff were called upon to send two fully equipped battalions from Canada to Hong Kong. The only thing which could have been simpler would have been to send one battalion. It is almost impossible to believe, and yet the record is clear, that in the case of the Winnipeg Grenadiers the only weapon with which they had had any firing practice with service ammunition was the rifle and even with that weapon the training only came in a hurried last-moment

effort at Winnipeg before their departure. In the case of the Winnipeg Grenadiers there was no firing practice with the Bren gun, which is now the principal weapon of the infantry. They had no firing and no real training with either the 2-inch or the 3-inch mortar, which to-day are the most powerful weapons of the infantry.

In the case of the Winnipeg Grenadiers, menwho had never thrown either a live or a dummy bomb were soon called upon to go into heavy bombing attacks against the Japanese. Men who had never at any time fired an anti-aircraft gun were called upon in a few weeks' time to do their best to drive off the devastating dive-bombing at attacks of Japanese aircraft at Hong Kong. Men who had never handled anti-tank rifles faced armoured barges and armoured vehicles of picked Japanese forces. The Royal Rifles of Quebec had some advantage. They had had firing practice with the Bren gun; they had had practice with dummy bombs. Otherwise they were in an equally untrained state for actual warfare.

This force left Canada without a single vehicle, although space was available on the troopship for the twenty vehicles which Brigadier Lawson had said were necessary. These obviously were vehicles which were required to move the weapons of the force. Neither those vehicles nor the larger number of vehicles to make it a completely mechanized unit ever reached Hong Kong.

The report repeats with emphasis the statement that the Canadian authorities had no reason to anticipate any increased danger of war in the Pacific which would have called for some caution in examining the actual state of training of the men to be sent or of their equipment before the force left Vancouver. But there was no necessity to place so much emphasis on whether Canada received warning from Britain; any child in Canada who read the newspapers carefully knew perfectly well that the danger of war had increased on October 16. The press of Canada from one end to the other on that day carried belligerent statements of the representative of the war party in Japan which had then come into power.

The simple fact which must not be evaded in this discussion at any time is that our men were called upon to fight three weeks after their arrival in Hong Kong. On the basis of the report before us, the war committee, the Department of National Defence and the headquarters staff failed in their duties in this task. National security and the fulfilment of our part in this war call for immediate remedial action. [Mr. Bruce.] Newspaper reports showed that the new Japanese government proposed to follow the policy of expansion by force. That was public information, and that in itself was sufficient warning to put the government on guard and to call for some review of the situation—not with the idea of withdrawing from our obligations, but with the very proper idea of finding out if the forces we were sending at that time were suitable for the task which we were laying upon them, and unfortunately did lay upon them so soon afterwards.

Unless the Prime Minister is prepared to discuss the information possessed by the Canadian government, or by himself personally as chairman of the war committee, there can be no yardstick by which to measure the degree of responsibility of those who were called upon to deal with this force. The report does set out a whole series of steps which would indicate the most hopeless confusion, and then points out that only by arranging for a special train could the vehicles have been got to Vancouver in time, when it was discovered that they were likely to be late. What earthly reason was there for a special train not being arranged for? There can be no excuse for not sending the vehicles with the force when, according to the commanding officer of the force, those vehicles were considered necessary. And what ultimately hap-pened in no way limits the responsibility of those, whoever they were, who caused the failure of the vehicles to reach Vancouver in time.

But the point above all others which seems to me must be emphasized is that we are looking to the future and not to the past. It is the duty of every Canadian to be concerned about our ability to defend ourselves. No member of parliament can relieve himself of that responsibility. Yet we find that in spite of constant assurances as to the equipment and training of our forces the only excuse offered for sending untrained men to Hong Kong is that other Canadian battalions were no better off. On that one point the government stands indicted for having misrepresented to the Canadian people for nearly two years the actual state of our defences. It is the inescapable duty of every member of parliament to insist that we be given adequate assistance that the weaknesses disclosed in that report no longer exist.

Did the British government as a matter of fact not advise the Prime Minister that the change of government in Japan on October 16 was likely to mean war?

Are we to understand from the Prime Minister's statement that if in discussing the Hong Kong report we quote from Colonel Drew's letter we shall be guilty of an offence, and subject to an action for contempt? If we are to arrive at the truth, surely it should be permissible, without infringing the rules of this house or having any restrictions placed upon us arbitrarily by the Prime Minister, to quote all or parts of Colonel Drew's letters to him of July 11 and July 16 without being liable to an action for contempt. Then and only then shall we be able to arrive at the truth. There is growing indignation among the people of Canada over the government's hysterical efforts to stifle full parliamentary discussion of the Hong Kong expedition. The evidence supplied by Colonel Drew, now in the hands of newspaper editors all across Canada, shows the bungling and incapacity which has seriously interfered with recruiting and is causing added anxiety to the parents of boys who are now serving in the armed forces. Surely the public has a right to demand an assurance and a satisfactory guarantee that the conditions which permitted so many mistakes and so much bungling in the handling of this very small force shall not continue to jeopardize the hundreds of thousands of men now under arms. We have the humiliating spectacle of the government, which is itself clothed with supreme authority, hiding behind the skirts of an outside counsel who is paid to tell them what they should do or what they may not do. Could anything be more farcical? It would be a screaming farce if it were not a tragedy where the lives of our boys are involved.

Mr. RALSTON: Does my hon. friend suggest that Mr. Campbell's payment influenced him in any way in giving that opinion?

Mr. HANSON (York-Sunbury): The hon. member did not say that.

Mr. BRUCE: I did not say that.

Mr. RALSTON: I want to know if he suggests it.

Mr. BRUCE: I said his advice was being paid for at the public expense, when surely the law officers of the crown could give it without any cost to the public purse.

Mr. RALSTON: My hon. friend said he was paid to advise them that that document should not be laid on the table, and the inference was that the payment had influenced Mr. Campbell in that respect. I want my hon. friend—and I am sure he will—to indicate on *Hansard* that he had no such intention.

Mr. BRUCE: I did not make any such assertion, but if the minister wishes to draw that inference, that is his privilege. I did not wish to insinuate it in any way.

I should like to refer to page 59 of the report, where it is stated:

The statements made by the stevedores on the one hand and the wharf superintendent and a marine surveyor on the other are at variance as to the possibility of loading any of the vehicles in No. 1 hold, the opening to which is only ten inches wider than the length of the smallest case. They are also in disagreement as to the fitness of the vessel's equipment for loading. These statements were not subject to cross-examination, and one of the stevedores made a later statement changing his earlier one.

Mr. RALSTON: Read the next sentence.

Mr. BRUCE: I will read it. It says:

In these circumstances no finding can be made upon them.

Mr. RALSTON: Yes, "in these circumstances no finding can be made upon them". In other words, what the hon. member has read is read for effect.

Mr. BRUCE: It is a fact that the statements of the marine surveyor and the wharf superintendent to whom the commissioner refers were statutory declarations made under the full force and effect of the Canada Evidence Act. May they not therefore be considered much more solemn declarations than any which were accepted and quoted in the report?

Mr. RALSTON: I point out to my hon. friend that it is indicated that they are not accepted, and that no finding was made upon them. The sentence the hon. member omitted to read indicates that they were not accepted, because the statement is, "In these circumstances no finding can be made upon them". I know that my hon. friend persists in keeping back that sentence.

Mr. BRUCE: I might say to the Minister of National Defence that I did not decline to read it.

Mr. RALSTON: The hon. member did not read it until he was requested to do so.

Mr. BRUCE: I just stopped for a moment to get my breath. I have it underlined in red pencil, to read.

Mr. RALSTON: The hon. member took a long breath.

Mr. BRUCE: I had no intention of leaving it out, and I did read it. I should like to add that the action of the commissioner in refusing to accept the evidence of Mr. Cooke, a most respected citizen of Vancouver who came to Ottawa to give his evidence, was most reprehensible.

Mr. RALSTON: I object to that. Because the commissioner accepted the evidence of one witness rather than that of another, his action is designated as reprehensible. That is unparliamentary; it should not be permitted and should be stricken from the record.

Mr. SPEAKER: The expression used by the hon. member is certainly not one which should be used. I would ask him to withdraw it.

Mr. BRUCE: I will withdraw it, and substitute the word "incorrect."

Mr. RALSTON: I would ask that it be struck from the record, because it should not appear thereon in connection with the action of a judge of the supreme court, in fact the Chief Justice of the Supreme Court of Canada.

Mr. HANSON (York-Sunbury): What word?

Mr. RALSTON: The word "reprehensible."

Mr. HANSON (York-Sunbury): It was not made with reference to a judge of the Supreme Court of Canada. It was made only with reference to a royal commissioner, and I must insist upon that distinction.

Mr. RALSTON: That is not only hair-splitting; it is casuistry.

Mr. SPEAKER: The hon. member used the word "reprehensible" in the first instance, and then he substituted the word "incorrect." The only conclusion one can draw from the modification is that the meaning is still the same, and I would ask the hon. member to withdraw those words.

Mr. BRUCE: I must say that I entirely disagree with the statement made by the Minister of National Defence. I am referring—

Mr. SPEAKER: Order. I have asked the hon. member if he will withdraw the word "reprehensible" and his subsequent use of the word "incorrect." In my opinion these words, taken together, mean the same thing; and 1 would ask the hon. member to withdraw.

Mr. BRUCE: I disagree with the conclusions, but I am bound to accede to Your Honour's request, and substitute the word "inaccurate" for "reprehensible."

Mr. SPEAKER: The hon. member may not agree with the ruling of the Chair, but if not, he has his remedy. Certain words must be withdrawn. Those words will have to be withdrawn, absolutely and without reservation.

Mr. NEILL: May I say one word? Are we not getting rather thin-skinned when we say the word "inaccurate" is out of order?

Mr. SPEAKER: The word "inaccurate" if used in the first instance might have been in [Mr. Ralston.] order, but when the word "reprehensible" was used at first, and later modified by the word "inaccurate," the meaning which was conveyed was the meaning conveyed by the original word. Therefore I ask that it be withdrawn.

Mr. BRUCE: I bow to your request, Mr. Speaker, and substitute the word "inaccurate" for "reprehensible."

Mr. SPEAKER: I have asked the hon. member twice to withdraw the words he has used, namely, the words "reprehensible" and "inaccurate," and I ask him to do so immediately.

Mr. BRUCE: I have no alternative but to bow to Your Honour's decision. I wish to protest against the ridiculous restrictions the government is seeking to apply in this instance. The Prime Minister will never be able to boast that he or his government permitted a free debate on the Hong Kong expedition, because they strangled and smothered it in advance, and then made the pretence of having a debate. It is not a real debate we are having; it is a contortion and travesty on words to call this a debate, without having the evidence.

How can the government ever justify using the authority of the criminal investigations branch of the Royal Canadian Mounted Police, a great and honoured force, to obtain evidence in a civil inquiry, when—

Some hon. MEMBERS: Order.

An hon. MEMBER: He is reading his speech.

An hon. MEMBER: Go ahead.

Mr. DOUGLAS (Weyburn): Don't bother; he is slap-happy.

Mr. HANSON (York-Sunbury): There is no point of order; proceed.

Mr. FRASER (Northumberland, Ont.): There is a point of order.

Mr. BRUCE: No doubt some hon. members do not like what I am saying.

Mr. FRASER (Northumberland, Ont.): The point of order is that the hon. member is reading his speech.

Mr. SPEAKER: The point of order has been taken that the hon. member is reading his speech.

Mr. BRUCE: This is a very old dodge, that of interfering with material placed before the house which happens to be disagreeable to members of the government.

Mr. MACKENZIE (Vancouver Centre): The word "dodge" is unparliamentary.

Mr. BRUCE: I have prepared every word of my notes from which I am speaking, and I am afraid that does not always happen in the house.

Mr. MACKENZIE (Vancouver Centre): At page 98 of Beauchesne's Parliamentary Rules and Forms the word "dodge" is stated to be unparliamentary.

Mr. BRUCE: I am asking the government to justify its action in using the criminal investigation branch of the Royal Canadian Mounted Police for the purpose of getting information in a civil inquiry—not a criminal inquiry. I am informed that they sent a police officer to Vancouver to get evidence from stevedores who had formerly been in the employ of Mr. Cooke, and that this evidence was used to try to destroy the character and reputation of Mr. Cooke.

Mr. CRUICKSHANK: What page is that?

Mr. BRUCE: I have not the time to look up the page at the moment, but the hon. member will see a reference to it on page 59. I have seen no reference in the report by way of rebuke by the commissioner to those who were responsible for having this done.

Mr. SPEAKER: The hon. gentleman certainly is infringing upon the ruling I gave yesterday. He is referring to evidence which he says was brought before the commission. Before the hon. member breaks the rule again I would remind him that the terms of the amendment before the house confine the debate to the evidence as tabled and in the possession of the house. I must ask the hon, gentleman to observe the ruling.

Mr. HANSON (York-Sunbury): On the point of order, there is no evidence tabled; there is only reference to the evidence in the report. Our position is that we should have the whole evidence, that the commissioner's interpretation of the evidence may or may not be correct. Therefore, this discussion is vital.

Mr. MACKENZIE (Vancouver Centre): Look at your own amendment; you drew it up yourself.

Mr. HANSON (York-Sunbury): The government will not table the evidence.

Mr. MACKENZIE (Vancouver Centre): You do not like it now.

Mr. SPEAKER: The amendment, which I think I have read at least three times, reads:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed—

44561-307

The hon. gentleman is referring to some evidence or information which he has received with regard to something that happened in Vancouver but which is not before the house.

Mr. BRUCE: It seems most difficult to have a free discussion in this house, in which freedom of speech is still supposed to be permitted.

Some hon. MEMBERS: Order.

Mr. SPEAKER: I presume the hon. member is rather thinking that there is a restriction by the Chair. The hon. gentleman must realize that the Chair is bound by the rules of the house. He is bound by what is before us, and all that is before us is the amendment which I have read and by which every hon. member must directly regulate his speech.

Mr. BRUCE: I understood that this 'was to be a free discussion on the Hong Kong inquiry. I submit that even the authority of the Speaker is subject to parliament, that parliament is above any order that the Speaker may give. Parliament is supreme. I have the words of the Prime Minister of Canada for that.

Mr. MACKENZIE KING: Let the hon. member appeal from the ruling of the Speaker, if he so desires.

Mr. BRUCE: I do not know that it will serve any useful purpose to pursue this further, but I must express my regret at finding that I am restricted by the rules of this house in giving free expression to the views I have in regard to this Hong Kong report.

Mr. SPEAKER: The hon. gentleman has indicated that there is a restriction, and I rather gather that he thinks that restriction comes from the Chair. I am sure the sense of the house will be with me when I say that there is no intention on the part of the Chair to restrict the hon. gentleman in the expression of any opinion that he may have upon the subject which alone is before the house. I hope that the hon. gentleman does not mean to imply that the Chair has been unfair to him.

Mr. BRUCE: No, I would not for a moment suggest that the Speaker has been unfair. I think he has been most impartial. During the years I have been here I have found him to be absolutely fair. I am only suggesting that the restriction which he is now asking us to observe has been placed upon him by the government of the day.

Mr. MACKENZIE KING: No, no.

Some hon. MEMBERS: Order.

REVISED EDITION

Mr. BRUCE: I think it is a prostitution of the great Royal Canadian Mounted Police to ask them to assume a responsibility of the kind which they were asked to assume, and which is a direct responsibility of the Minister of Justice (Mr. St. Laurent) for having done so.

Mr. SPEAKER: I do not think the Speaker should enter into a debate, but the hon. member who has just taken his seat must realize that the Speaker is a servant of the house bound by the rules of the house. He can do nothing other than the house directs. When a matter is brought before the Speaker in the form in which it is, the rules of the house must be applied.

Mr. DOUGLAS (Weyburn): Apropos of the question that has been raised several times during the debate, may I direct Your Honour's attention to the words of the motion moved by the hon. member for Vancouver South (Mr. Green). They are:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed—

It does not suggest the evidence as is contained in the report. If evidence has been disclosed from any source other than the report, if it is bona fide evidence it ought to be permissible to discuss it in this house. It seems to me that Your Honour ought to reconsider your decision in the light of the wording of the motion.

Mr. SPEAKER: I have said already that I do not think it would be proper to enter into a debate with regard to the Speaker's ruling. The amendment reads:

This house is of the opinion that such of the evidence taken before the inquiry into the dispatch of the Canadian expeditionary force to the crown colony of Hong Kong as has been disclosed—

If the words "to the house" were added, it would give the full meaning of it. All that may be discussed here is what has been disclosed to the house.

Hon. L. S. ST. LAURENT (Minister of Justice): Mr. Speaker, I had hoped that I should have nothing at all to say in this debate, but I counted without the hon. member for Parkdale (Mr. Bruce). My attention was called a few days ago to a dispatch in the Vancouver News-Herald under a startling headline, and I was not surprised to hear the language of that headline from the lips of the hon. member for Parkdale. This headline reads: "Drew charges justice minister prostituted R.C.M.P. work here." The dispatch

[Mr. Mackenzie King.]

states that a letter of Colonel George A. Drew to the Prime Minister contained thirtytwo pages, and that the long, closely-typed pages of the letter charge Chief Justice Sir Lyman Duff with no less than six major mistakes, and declared that the Minister of Justice had prostituted the Royal Canadian Mounted Police in the search conducted in Vancouver for evidence the letter called favourable to the government. It contains this statement in quotation marks:

The conduct of the government was under inquiry, yet secret criminal police who are under the control of the government were used to obtain statements which obviously were very much in keeping with the wishes of one department of that government.

It goes on to say:

Canada has had reason to be proud of the high standing of the R.C.M.P. and members of the force must not be employed to obtain statements in civil proceedings suitable to members of the government.

It also stated that Mr. Drew called the proceedings "a shameful prostitution of a great force with a world-wide reputation" and said, "the justice minister must be called to account without delay". Until just before that date I knew nothing whatsoever of what had been done in connection with the preparation of this inquiry, or the evidence to be submitted.

When this was called to my attention I communicated at once with the Commissioner of the Royal Canadian Mounted Police and was informed by him that at the request of the deputy minister a certain investigation had been conducted in Vancouver by members of the Royal Canadian Mounted Police. I then communicated with the deputy minister and was informed that while the inquiry was being conducted, Mr. Kellock, who was counsel to the commissioner, chosen by the commissioner and appointed by him, after a conference with the commissioner, communicated with the deputy minister and told him that there was some conflict of evidence as to whether or not some twenty vehicles intended for the Canadian expeditionary force could have been loaded on the Awatea had they arrived in Vancouver before the sailing of that ship, and that it was desired to have an investigation made by the Royal Canadian Mounted Police among the stevedores who had handled the loading of the ship, to ascertain whether any expression of opinion or statement of fact might be obtained which would assist the commissioner. Mr. Kellock left with the deputy minister a memorandum setting out briefly the question upon which further evidence was sought, and the deputy minister thereupon communicated with the

commissioner of the Royal Canadian Mounted Police and asked that the investigation be made following the lines of the memorandum prepared by Mr. Kellock. When he received from the commissioner a report-there was no man sent to Vancouver, but the officers of the police in Vancouver were communicated with-he communicated it to Mr. Kellock, but Mr. Kellock then asked that signed statements be obtained from the stevedores who had been interviewed by the police. This was done, and copies of the signed statements were made available to Mr. Kellock. Afterwards, the deputy minister was informed by Mr. Kellock that Mr. Drew wished to see the original declarations, and requested the Royal Canadian Mounted Police to make them available for inspection at Royal Canadian Mounted Police headquarters here. A few days later Mr. Drew called to inspect them, but they had not arrived.

Mr. HANSON (York-Sunbury): Mr. Speaker, is this not a violation of the rules?

Mr. ST. LAURENT: I am stating what happened in the Department of Justice. Mr. Drew called at the Department of Justice to see the letters, but they had not arrived. The originals were still in Vancouver. The Royal Canadian Mounted Police offered to bring them to Ottawa by air mail, but Mr. Drew expressed himself as wholly satisfied with the copies and declined the offer. Some weeks later, without any previous intimation of any change of attitude on his part, Mr. Drew wrote the deputy minister this very nice letter:

May I ask if it is, or is not, the intention of the Department of Justice to obey the direction of the commissioner to produce for my inspection the originals of the statements alleged to have been obtained by the criminal investigation branch of the Royal Canadian Mounted Police under your instructions.

You will recall that unsworn typewritten sheets were produced before the commissioner, which were said to have been signed by stevedores in Vancouver. The commissioner made a direction that I should be permitted to inspect the originals, of which these statements were alleged to be copies.

Mr. HANSON (York-Sunbury): On a point of order, Mr. Speaker, I ask whether the statement now being made by the Minister of Justice is relevant to this debate.

Mr. ST. LAURENT: On the point of order, I submit that it is relevant to the charge being made here that the head of the Department of Justice has prostituted the Royal Canadian Mounted Police.

Mr. SPEAKER: I was debating in my own mind the point of order just raised by the leader of the opposition. The hon. member 44561-3073

Hong Kong Inquiry

for Parkdale did in his speech make an attack on the Minister of Justice and referred to the prostitution of the Royal Canadian Mounted Police. I have allowed the Minister of Justice to continue, taking care that he confine himself to the denial of the charge that was made against the Royal Canadian Mounted Police and against himself and his department.

Mr. ST. LAURENT: To continue the letter:

You are aware that when I called at the Department of Justice at four o'clock on the afternoon of May 22, as previously arranged, I was told that the originals were not available. This information conflicted with that previously given to me by counsel at the inquiry in the presence of the commissioner.

I may say right here that counsel retained to represent the government told me that he knew nothing about this, any more than I did until the matter came out in the manner I described in opening. The letter continues:

I thereupon informed the commissioner that I had not been permitted to inspect the originals as directed, but notwithstanding the fact that the report of the commissioner has been signed, there are special circumstances which impel me to insist that the direction of the commissioner be carried out.

The originals were then sent from Vancouver to Ottawa, and from Ottawa to Toronto, to be shown to Mr. Drew in Toronto, but I am informed that he has not yet called at the office of the Royal Canadian Mounted Police in Toronto to see them.

I must say that although I knew nothing at all about this until this thing came out, if Mr. Varcoe had informed me when he got Mr. Kellock's request I would have felt it proper to take the action which was taken, and I take full responsibility for the action which was taken by my department.

I do not know Mr. Kellock personally, not even by sight, but I am informed, and I think the information is accurate, that he is a member of high standing at the bar of Toronto. I know that he and Mr. Fowler had been selected by the chief justice to act as his counsel in conducting this inquiry. I did not communicate directly or indirectly with any of the counsel who were acting in this inquiry at any time while it was in progress, and I knew nothing whatsoever about the evidence until I read the report of the commissioner and the appendix thereto a few days ago.

Both the Deputy Minister of Justice and the Commissioner of the Royal Canadian Mounted Police knew that the Chief Justice of Canada had been appointed to inquire into this matter, and had been authorized to engage counsel, and that he had appointed Mr. Kellock and Mr. Fowler to assist him as counsel. I should have considered, as the deputy minister and the commissioner did. that it was quite proper and in order to comply

with the request for the assistance of the Royal Canadian Mounted Police in proceeding to secure the information which Mr. Kellock requested. I have satisfied myself, sir, and I feel that on the facts the house will be satisfied, that the charge of improper conduct in that regard is quite unfounded.

Mr. BRUCE: Mr. Speaker, I rise to a question of privilege. As the Minister of Justice in quoting from a Vancouver newspaper has cited portions of a letter submitted by Colonel Drew to the Prime Minister, to my leader and to the leaders of the other groups, I may say that I also was quoting from that letter, and I was not attacking the Minister of Justice personally.

Mr. ST. LAURENT: I thank the hon. member for Parkdale for the withdrawal of the implication at least which his former words contained.

Mr. CASTLEDEN: Mr. Speaker, I believe it has been stated in this house that a member must not quote from a letter unless he is prepared to table it.

Mr. SPEAKER: I understand that it was a newspaper, not a letter, that was quoted.

Mr. ST. LAURENT: The Vancouver News . Herald.

Mr. G. G. McGEER (Vancouver-Burrard): In rising to participate in this debate, may I say at the outset that I do so simply because there is one feature of the discussion which I as a lawyer think should be reviewed. The investigation which was held is probably one of the most important which was ever ordered by a government in our dominion. Now, I subscribe to the proposition that members of parliament have the right to review, to criticize and to disagree with any finding made by any commissioner appointed by the government to investigate a matter and report to parliament, and it does not make any difference whether the investigating commissioner is a judge, a chief justice, or a layman of the land. But when, let me say, a commissioner's findings are questioned, it is the duty of members of parliament charged with the responsibility of voting on an amendment of the kind before this house to review not only the findings of the commissioner, but the appointment made by the government, because it might be possible under such circumstances that the appointment itself would be a proper subject of criticism.

In presenting these matters to you, Mr. Speaker, I simply review the problem which confronts me in making up my decision as to how I should vote on this amendment. I should like to draw the attention of hon. members to the manner in which the inves-[Mr. St. Laurent.]

tigating commissioner dealt with the problem of transporting military supplies to the city of Vancouver and thence to Hong Kong. I think it offers a splendid illustration of the genius of the Chief Justice of the Supreme Court of Canada not only to go to the kernel of a case, no matter how deeply it may be smothered in detail, but to present in fairness a judgment on a dispute involving the careers of men in public service, and particularly the careers of responsible officers in war time who have to face the responsibility of guarding and protecting the lives and the well-being of the soldiers of the nation. You know, we do not judge under our system of jurisprudence the actions of men alone; it is a cardinal principle of our law and our administration of justice that men shall be fairly judged in their actions in the light of all the surrounding circumstances at the moment of the action.

I do not intend to go over the whole report. I should like to point out that an order or an invitation came from Britain; it was decided to act upon it; and, with but a few weeks' time at their disposal, the officers of the Department of National Defence were called upon to bring units up to strength, provide the reinforcements, obtain the supplies, arrange for transportation across the continent, and secure, in the confused state of shipping of to-day, the transportation facilities to move approximately 2,000 men and their equipment across the Pacific ocean to Hong Kong. Of course there was the difficulty of secrecy. Anyone who knows anything about the Pacific ocean has long been aware of the fact that at that time German submarines were thought to be operating out of the ports of Japan. It was in the light of all of those circumstances that the findings were made. At page 58 of the report the commissioner says:

On October 25 Major Gwynne had informed Captain Bush, the staff Captain of force "C", that the vehicles would not arrive before sailing time. Ungestionably this would have been reported to Brigadier Lawson. Also on that day the ship's master told Major Gwynne that even if the vehicles did arrive, he could not take them, giving as his reason that the ship was going on a long journey, that he would probably go in a roundabout way and needed extra fuel oil.

The evidence showed, as the report indicates, that the loading of that ship with the vehicles in question involved the pumping out of one hundred tons of fuel oil which the captain was not willing to release. I would have said that evidence might have ended the matter. The investigating commissioner gives it much further consideration. He says:

I accept Mr. Lockwood's evidence. I do not accept Mr. Cooke's evidence that it was a simple matter to load these vehicles and that all could have been loaded. The result is that had these vehicles arrived on October 27 before the ship sailed, and had the captain been willing to accept them about fifteen out of the twenty vehicles might possibly have been loaded. Mr. Lockwood seems to have thought that seven trucks and the two water tanks could have been loaded but the evidence as to whether the captain would have been willing to take any of these vehicles enables me to form no confident opinion on this point.

He goes on to deal with another phase of that problem of transportation. The Awatea had been converted from a passenger ship to a transport ship and a troop carrier in the harbour of Vancouver. I believe that just as soon as the shipwrights and other artisans and mechanics walked off that ship the Canadian troops walked on. The available cargo space under those circumstances was a matter which could not be determined until almost the last moment, but it was known that there was not sufficient space to carry the mechanical transport equipment. At page 51 of the report the chief justice points out that another ship was secured on October 21:

This vessel had other cargo to load, but space was obtained in her. To do so her agents were induced to shut out some 75,000 feet of lumber which she had arranged to carry to Hong Kong. The *Don Jose* was originally routed for Shanghai, Hong Kong and Manila in that order, but, due to instructions received by the master on November 1 from United States naval authorities, the ship proceeded first to Honolulu and from thence to Manila, where she arrived December 12 and where, war having broken out, arrangements were made to turn over to the American army in the Philippines the vehicles which she carried. Had it not been for this deviation, under instructions from superior authority, the *Don Jose* would, under normal conditions, have reached Hong Kong about December 6.

The review of the evidence as presented by the chief justice indicates that in a very short period of time the officers of the Department of National Defence faced and met, with a rare degree of success, an extremely difficult problem. The troops sailed on the 27th, and, notwithstanding all the difficulties that were involved, every bit of equipment that they required was on board ship on November 4. Seven days elapsed between the sailing of the troops and the sailing of the ship that carried the mechanical transport. I think, in the light of shipping conditions as they exist to-day, that is not a record that calls for condemnation of the Department of National Defence.

I want to go a little further, because the commissioner making this investigation was not unconscious of his responsibility and he made a finding in all those circumstances which goes as far as any member of the

Hong Kong Inquiry

opposition who has spoken could ask him to go in criticizing a failure on the part of an officer of the department. At page 8 he says:

There was a small amount of free cargo space in the ship carrying the force and some twenty vehicles were sent to Vancouver to fill it. These, however, had not arrived before the ship sailed. Had more energy and initiative been shown by the quartermaster-general's branch, charged with the movement of the equipment for the force, the availability of this space would have been ascertained earlier and the vehicles would have arrived in time for loading on October 24; and there is, in my opinion, no good reason for thinking that, had they arrived at that time, they would not have been taken on board. There is no evidence, however, that the troops suffered through lack of them, or that they were not supplied at Hong Kong. The facts are fully examined in the appendix.

On that record alone there is much to support the amendment before the house. But what happened? Long before the famous charge was made in a political rally in the by-election of South York, the Minister of National Defence had acted. Let me tell you-he gives me this information himselfthat he had decided on a date preceding January 4, 1942, that a reorganization of the quartermaster-general's department was necessary. He reviewed the situation and decided upon the man he wanted, and that man happened to be Brigadier-General John Peter MacKenzie of my own city of Vancouver. On January 4 he telephoned to General McNaughton indicating the decision he had made, and asking if General MacKenzie could be released, and with General McNaughton's approval MacKenzie was ordered to return to take on the responsibilities of quartermaster general, consequently there is no need for a reorganization of the quartermaster-general's department now, because that was done before the charge was made by Colonel Drew in a political election partisan speech. Instead of condemning the Department of National Defence we as members of parliament should be commending the minister for the promptness and propriety of his conduct in that respect. And mind you, the information about the reorganization of the quartermaster-general's department was in every newspaper in the land. There was no secret about it, that the whole department had been reorganized from top to bottom. The reorganization was published in the press of Ottawa and in the press completely across the country.

Well, I begin to ask myself whether this record does not indicate that I should not agree with the other criticisms of the findings of the commissioner. Let us see what the other findings are. First, he deals with the authorization of the expedition. His finding is:

It is my duty to say I have no doubt the course taken by the government was the only course open to them under the circumstances.

Will any man say that if this government had refused to comply with the invitation of the British government to send troops to Hong Kong there would not have been a roar of condemnation of the administration? Why, I venture to suggest to you, Mr. Speaker, that if the Prime Minister had refused, as has been indicated he should have done, to send troops to Hong Kong at the invitation of the British government—

Some hon. MEMBERS: No, no.

Mr. McGEER: My hon. friends say "no, no"; I will deal with that in a moment. If he had refused and war had come, they would have charged the Prime Minister with being the cause of the Asiatic war. Now my hon. friends say "no, no". Let me refer to the record. You will find it at page 4. Because, recognizing that they were on untenable ground there, they said: Oh, when Tojo came into office you should have known all about that, because the United States government knew all about it, and you had an interchange on your common defence committee. What is the matter with your liaison? Your people were asleep. Let me point out that there was no such surprise at Hong Kong as there was at Pearl Harbour. But that was not good ground; so they said-I quote from page 4:

It was urged by Mr. Drew that the change of government in Japan on October 16, by which a cabinet notoriously sympathetic with the axis powers came into office, ought to have led the Canadian government to reexamine the question of policy raised by the invitation of the United Kingdom.

What would have happened if you had changed your mind? Those who were crying for Canadian troops to go to Australia, to be sent to Libya, those who were crying that Canada was not doing its share, are now the very men who stand up and say that having given our word to the British government we should then have gone back on it.

I come now to another finding, upon the selection of the units for the expeditionary force:

So long as the minister's confidence in the chief of the general staff remained unimpaired, the minister would not overrule such a recommendation upon a purely military matter; and he cannot be justly criticized for acting upon it. . . .

After reviewing in the light of the evidence the considerations which it was the duty of General Crerar—

[Mr. McGeer.]

No relation of the Minister of Mines and Resources, I understand.

-to weigh, I arrive at a clear opinion that I could not justify a declaration that he was wrong in his decision to recommend the selection of these two battalions . . . There is therefore, no good ground for imputing to General Crerar, in the matter of the selection of the battalions who compose the expeditionary force, any error in judgment, much less any dereliction of duty.

Coming now to the steps taken to bring the units up to strength, including the first reinfocements, the finding is:

I have found no dereliction of duty or error in judgment in connection with the additions made to the strength of the two units.

In that connection I want to refer briefly to page 37 of the report, because it certainly indicates that there was no hurried selection of these additions to the force. Here is one illustration:

On October 22 two officers and three sergeants from the Royal Rifles, representing Lieutenant-Colonel Home, the officer commanding the regiment, came to Toronto and checked over the documents of each of the 154 men. These documents disclosed the particulars of service of each of the men. The two officers from the Royal Rifles expressed themselves as well satisfied with the volunteers provided by military district No. 2.

At page 39 the commissioner gives some indication of the various men selected. At page 40 we have these illustrations:

As illustrations the following may be noted: One man who enlisted on July 16, 1941, had served with the Royal Irish Constabulary and for two years with the Seaforth Highlanders; one who enlisted on July 17, 1941, had had one year with the Dragoons; one who enlisted on July 24, 1941, had also had one year with the Dragoons; one who enlisted on July 16, 1941, had had six years in the Gloucester regiment; one who enlisted on July 10, 1941, had had nine years in a militia regiment.

This was the type of men that the officers commanding the regiment and the officers of the department responsible for training and for those selections obtained to bring these regiments up to strength. On that particular matter the finding is, "I have found no dereliction of duty or error in judgment".

Dealing now with the general organization and dispatch of the forces, the finding is this:

Leaving aside for the moment the question of mechanical transport, I am satisfied that the expedition to Hong Kong was fully and properly equipped. It was stated by one of the senior officers at national defence headquarters that he believed that the "two battalions went out of this country better equipped than any units ever left the shores of this country".

I have reviewed the mechanical transport, the decision to send the forces, the selection of units to make up the expeditionary forces,

4874

the steps taken to bring them up to strength; and upon all these matters, with the exception of transport and the quartermaster-general's department, the Department of National Defence and the men responsible for organization and taking the expeditionary force are commended and not condemned.

That brings me to the main point on which I rose to speak, and it is an important phase of this discussion. To me, the democracy that we are fighting for, that we are still struggling to achieve, may be described as a point equidistant between the regimentation of dictatorship and the chaos of mob rule. Even in a democracy men of intelligence, men of honesty of purpose, can disagree. Certainly in politics they can disagree with ease. But when we disagree in a democracy we do not go duelling, or bludgeoning one another; we leave it to one who we can all agree is capable of judging and giving a judgment that we can all accept. Our judges are not above criticism, and the Chief Justice of the Supreme Court of Canada would be the last to say that his judgments are infallible. But I have a right, I think, to make up my mind as to whether I will accept the challenges upon which this amendment is based or accept the findings which commend the Department of National Defence rather than condemn it to immediate and complete reorganization.

Let me review the record of the selection by the government which ordered the investigation. Lyman Duff was born in Meaford, Ontario, on January 7, 1865. His father was the Reverend Charlie Duff, for many years a central figure in the Canadian Congregational church. After a brilliant academic course, particularly in mathematics, at the university of Toronto, he was called to the bar of Ontario in 1893. Those of us who come from British Columbia have an interest in the career of that brilliant Canadian, because after practising law in Fergus he went to British Columbia, and was called to the bar of that province in 1895.

He soon gained prominence when, in 1903, he was associated with the Hon. Edward Blake and Christopher Robinson as counsel for the dominion in the Alaska boundary commission. He was called to the bench of the Supreme Court of British Columbia in 1904. Two years later, in 1906, he was appointed to the Supreme Court of Canada, where he has remained ever since.

At the turn of the century, as a very young man, he had gained the confidence of the government of the day, which had appointed him as one of the counsel of the Alaska boundary dispute, a judge of the Supreme Court of British Columbia and had elevated him to a

seat on the bench of the supreme court of this nation. He became the chief justice following the resignation of the Right Hon. F. A. Anglin in December, 1932, an appointment made by the Conservative government under the leadership of the Right Hon. R. B. Bennett, now Lord Bennett.

In 1916, he was appointed by the Conservative government, under the leadership of the Right Hon. R. L. Borden, as a royal commissioner for the investigation of the shell contracts, and the next year was appointed by the same Conservative government to the arduous duties of the court of central appeal under the Military Service Act.

In 1935, he was honoured, on the occasion of the Silver Jubilee of King George V, with a knighthood.

The Montreal Standard—and I do not know what the politics of this paper is; however I am sure it is not C.C.F.—

Mr. DOUGLAS (Weyburn); You can say that again.

Mr. McGEER: —pointed out that in addition to being head of the supreme court as administrator, he takes over the duties of the governor general when his excellency is absent. It goes on to say:

The chief justice is well known in Great Britain, for he is a member of His Majesty's Privy Council, and sits frequently on the judicial committee—the highest judicial body in the empire. He has been entrusted with the delivery of the opinion of that body in several important cases.

He is an honorary bencher of Gray's Inn. A former Lord High Chancellor of Great Britain was authority for the statement that Sir Lyman Duff was one of the three greatest jurists on the North American continent, listing two distinguished judges of the United States Supreme Court along with him.

For many years the chief justice has been admired for the clarity and soundness of his judgments. Particularly has he been praised for the directness with which his mind functions, enabling him to quickly grasp the kernel of an argument.

The people of Canada were able to more intimately appraise the wisdom and intellectual capacity of this jurist when he headed the Royal Commission on Railways and Transportation in 1932.

This was another appointment by the Bennett administration. The article concludes:

During the comprehensive hearings of the commission, the chairman demonstrated his characteristic capacity for separating the important from the worthless in the mass of information.

I draw this magnificent record to your attention, Mr. Speaker, because it helps me to decide how I should vote on this amendment. Here is a man who enjoyed the confidence of the Laurier administration at

the turn of the century, a man who at the time of the great war enjoyed the confidence of the Borden administration, a man who enjoyed the confidence of the King administration in the twenties, the confidence of the Bennett administration in the early thirties and who again enjoys the confidence of this government to-day; and yet in the eventide of his life, after this distinguished career, one which should warm the hearts of all Canadians and make us proud of the achievements of one who stands so highly, he has lost the confidence of Colonel George A Drew!

Let hon. members opposite just stop and think for a moment what they are doing with this amendment. They are not only challenging this government, but challenging the government of Great Britain, because the decision to send troops to Hong Kong did not originate in Ottawa. The man who was responsible for this expedition was the man who is responsible for the conduct of the war being waged by the British empire. Yes, it goes that far. To vote for the amendment I have to condemn the Prime Minister of Great Britain, Winston Spencer Churchill, as well as the Prime Minister of Canada (Mr. Mackenzie King). To vote for this amendment I have to say that at this moment of grave difficulty Canada is a blundering, bungling nation.

Never in Canada's history has she stood in a position where so few carried so heavy a responsibility. We happen to dominate a goodly part of the north American continent, a continent which to-day, is the last great citadel of the freedom of the world. We as Canadians should hold our heads proudly and go forward with the United States in shouldering the great responsibility of the tremendous tasks which lie before us.

Hong Kong should be something more to us than a means of arousing a purely political discussion. I do not wish to question the motives of my hon. friends, but I do have the right to draw the attention of the house to the amendment, and suggest that it did not originate here. It originated at the by-election in York South.

Mr. GREEN: On a question of privilege, I moved the amendment, and the hon. member for Vancouver-Burrard (Mr. McGeer), who by the way, is a valued constituent of mine, nust withdraw that statement. It is not correct.

Mr. McGEER: I will withdraw it, because it is insignificant. Every hon. member knows what I am saying.

What I want to bring to the attention of the house to-day is this—and I do so because it is our grave responsibility at this time that instead of dealing with this type of thing, what we should be dealing with is our cooperation with the United States to expand our powers so as to bring greater assistance to China and to Russia. In our land to-day we know what is going on in the North Pacific. To-day our government and members of this parliament should be concentrating upon the thought that railways and highways must be built to Alaska, which will become the Gibraltar of the skies, and a base of decisive operations.

There is much we can do to help the government to carry the burden and responsibility that is on them. I think we can all be grateful for the fact that this debate has arisen, because I believe the Prime Minister, the Minister of National Defence and the government have emerged standing higher in the estimation of the people of the Dominion of Canada than they ever did before.

Mr. GORDON GRAYDON (Peel): Mr. Speaker, in entering the debate at this stage I do so with hesitation and with some degree of humility. I am not an expert in military matters, nor am I expert in the type of argument which has been so well advanced by the previous speaker, the hon. member for Vancouver-Burrard (Mr. McGeer). I find myself in agreement with some points in his remarks, but there were one or two points to which we on this side of the house must take sharp exception. First, the hon. member stated that there had been a reorganization of the department of the quartermaster-general and intimated that part of that reorganization had occurred before the Hong Kong inquiry. I am sure that hon. members who have read the report and who are familiar with the terms of reference will readily understand that the dismissal or removal of one man from the department before the inquiry and of another one after the inquiry scarcely constitutes what one would call a thorough and complete overhaul. I do not wish to pursue that argument any farther. I should like to go on from there to one other point in the argument of the hon. member.

He has placed the whole matter of our decision as a house upon the ground that we are going to condemn the Prime Minister of Great Britain and to call Canada a bungling and blundering nation. Let me say that in so far as the decision of Great Britain to have reinforcements sent to the crown colony of Hong Kong is concerned, I have not heard during this debate a single reference to the type of feeling indicated by the hon. member.

4876

[Mr. McGeer.]

So far as I know there was nothing suggested beyond simply asking for reconsideration as to the type of troops, that reconsideration to be based upon one point only. In the midst of the decision there had been a change in the government of Japan-this has been referred to by some of the speakers-and this change caused many people throughout the world to believe that Japan was about to enter upon the dangerous and perilous course of war. I am sure that if the hon. member for Vancouver-Burrard will reconsider and reflect upon his statement he will readily realize, as will hon. members generally, that no one in this party has attempted to cast any aspersions upon the decisions of the government of Great Britain.

I am not going to attempt to deal with all the questions raised by the report with respect to military decisions, nor am I at this juncture going to attempt to deal in detail with the Department of National Defence. If this discussion, this report and the various things which have been said in connection with this whole matter are going to be of any use to us as a nation, we must find out how we can apply the lessons which the report and the evidence have given to us, and apply them in the right and proper way to our departments. There is no reason why the Department of National Defence should be specially sensitive to criticism, and perhaps it is not. I would not think very much of the Minister of National Defence (Mr. Ralston) if he did not fly to the defence of his department when it was attacked. But there seems to be a certain element of tenderness on the part of some government departments when honest criticism is directed against them. Departments of our government should never get into a position where their feelings are hurt or where they feel tender just because honest-to-goodness criticism comes from this side of the house. I am sure upon reflection the minister will be the first one to recognize the necessity of that

This is not the only country where criticism is made in full measure of departments of government having to do with the conduct of the war. This morning I picked up the current issue of the favourite newspaper of the Prime Minister (Mr. Mackenzie King), the Toronto Globe and Mail, and I found a Washington dispatch of the Associated Press dated July 27. I read this simply to show the government that in the United States they also criticize their government to the full extent. The congressman who is referred 44561-308

to in this article happens to be of the same political stripe, if they have politics there now, as the president himself. I quote:

Representative Lyndon B. Johnson (Democrat, Texas) reiterated to-day his criticism of some military and naval heads of the United States, declaring that if their leadership was tolerated the results would be "long casualty lists, wasted dollars and spilled blood".

Insts, wasted dollars and spilled blood". Recently returned from the Australian war zone, where he served as a lieutenant-commander in the United States navy, Johnson declared in a transcribed radio forum broadcast Sunday over stations in Texas that the United States "must get rid of the indecisive, stupid, selfish and incompetents among our generals, admirals and others in high military positions".

I am not suggesting that a condition as bad as that exists in this country. But there is always a great danger, and I point this out with every seriousness to the minister, that there may grow up in our national defence departments, and in other departments, that complacency or that "blimp" complex which all of us are so anxious to avoid. I know the minister feels the same way about this; I have no doubt that there is no one more anxious than he that such a condition shall not exist. Unless we, as representatives of the people, are prepared to criticize, I do not think we are doing our duty as members of parliament in seeing that what has happened in the past shall not be repeated.

May I say to the minister that there are many lessons to be taken from this inquiry. One of them, which has been pointed out and which need not be repeated, is that the Department of National Defence is not infallible. Even in the limited evidence which was adduced there was sufficient to show a lavman like myself that there was room for tremendous improvement in the Department of National Defence. I thought the best part of the speech of the Minister of National Defence last night was not where he attempted to defend his department at all costs, but that part where he made some very frank admissions with respect to what had to be done in his own department. That showed me that the Minister of National Defence was capable, with respect to the administration of his department, of rising to certain heights which most members of the house I am sure were glad to see. I hope that as long as he occupies that position, whenever he finds something wrong, he will not fly to the defence of his staff but rather will see to it that whatever is required to be done is done and then come to this house and make a frank admission, just as he did last night, on this one point. It raised him very much higher in my estimation and, I believe, in the opinion of the house generally.

REVISED EDITION

We had the privilege this afternoon of hearing from the Minister of Justice (Mr. St. Laurent), and I want to say just this with respect to his contribution to the debate. I had hoped that this afternoon he would make some reference to his part, which was not an insignificant one, in this whole Hong Kong question, with its historical background and present position, and I am quite sure that it was by accident and not by design that he omitted to explain to the house the factors and influences that prompted him to have a charge laid against Lieutenant-Colonel George A. Drew under the defence of Canada regulations. I had hoped that the minister would have said something about the matter this afternoon. His failure to do so was an omission which I hope he will correct at the earliest opportunity. I am not an expert in matters of this sort, but it did seem to me that the Minister of Justice was going a long way afield from Canadian justice when he would prosecute a man who has been identified with our army and our armed forces not for just a little while but continuously ever since 1910, and insinuate that he was likely to prejudice recruiting in the Dominion of Canada. I am not going to embarrass the minister with any further remarks in that regard because I am sure that he must be sufficiently embarrassed over the fact that he had to withdraw or at least did withdraw the charges which had been laid against the leader of His Majesty's loyal opposition in the province of Ontario.

May I say a word to the Prime Minister himself before I conclude my remarks. I am glad that he is in his place in the house this afternoon.

Mr. MACKENZIE KING: He is here all the time.

Mr. GRAYDON: I hope the Prime Minister did not think I intended any reflection, but on certain occasions he is here very much more than on others. This is one of those occasions on which he has been very regular in his attendance. May I say this to him in a friendly spirit, if he does not mind a little bit of kindly advice from one who would earnestly like to see him change his ways a little bit. This is how I would like to see him change his ways. I do not want him to leave the Liberal party, because we have to have some landmarks left to go by here and there when that old party passes out of existence. I am not asking him to change his ways politically. It is the war I am thinking of, and if he would take my advice he would try to follow the example of the Right Hon. Winston Spencer Churchill. I would like to see the Prime Minister step into the Japanese and the Germans just like he steps into the opposition day after day whenever he [Mr. Graydon.]

feels like a fight. For a long time I thought the Prime Minister was not able to do it. I thought perhaps there was something in his make-up which caused him to step back from a fight when it was in progress, but in the last few weeks I have changed my mind entirely. We have in the Prime Minister a potential champion of whom every Canadian can be proud if the Prime Minister would only change his ways. We have a potential champion worth something to Canada and to the empire, if he would do so.

I listened to him attacking the leader of the opposition (Mr. Hanson). I suppose he had a 'right to do so; I am not questioning that. I have seen him take up his cudgels and attack the leader of the opposition, and I have thought to myself as I sat in my seat: If only the Prime Minister would take off his coat, throw off his waistcoat, roll up his sleeves, shake his fist and go after these enemies of ours outside this country and leave his Canadian enemies alone, he could make a really worthwhile contribution to Canada and the war effort. I say that in all friendliness to the Prime Minister. Frankly, when I hear him on the radio I am never satisfied with his speeches. I am excluding election time because he always makes good arguments for his own side then. But it seems to me that the Prime Minister ought to put more steam and pep into these things, and I would like to see him go after our enemies on the other side of the water as he goes after the hon. member for York-Sun-bury on this side of the water, and then he could do something effective for our war effort. I would like to see the Prime Minister of this country take a stand like that taken by Mr. Churchill when he addressed this House of Commons in these words:

We have not at any time asked for any mitigation in the fury or malice of the enemy. The peoples of the British empire may love peace. They do not seek the lands or wealth of any country. But they are a tough and hardy lot. We have not journeyed all this way across the centuries, across the oceans, across the mountains, across the prairies, because we are made of sugar candy.

Look at the Londoners, the cockneys. Look what they stood up to, grim and gay, with their cry, "We can take it", and their wartime mood—"What is good enough for anybody is good enough for us".

We have not asked that the rules of the game should be modified. We shall never descend to the German and Japanese level; but if anybody likes to play rough we can play rough too. Hitler and his Nazi gang have sown the wind; let them reap the whirlwind.

The Prime Minister knows me well enough to know that I make that suggestion in the friendliest way, and when he goes on the radio again I shall listen to see if he puts the same

4878

steam and power into his remarks that he did with respect to the opposition within the last day or two, but addressing them not to the opposition but to Canada's enemies on the other side of the water. Then he will be doing a real job, and it will have a good psychological effect on Canada's morale.

The last speaker referred to political discussions, and some reference has been made to playing politics with this question. There was perhaps some hint that if any politics were being played they were being played by the opposition, but I am sure the Prime Minister would deny that at once; for whatever our sins may be over here-and I imagine we have plenty of them; I do not think any party in this house can say that they are the emblems of purity and godliness-the responsibility for this whole Hong Kong affair can be laid to something else-political discussions, if you will, and all those things that hinge around what we call partisanship. But beyond all that the Prime Minister and the members of his government-I say this guardedly and advisedly-have a definite. clear-cut and very heavy responsibility for it all, because at the root of the whole thing is the failure of one political party to gather to itself the best brains throughout the dominion, to form a non-party national government and go forward in our war effort, seeing to it that no stone is left unturned. By this means they would obviate all the difficulties which now seem so great and all the criticism which is brought forward, and a government would be established which would be representative of all sections of public opinion. I trust that the Prime Minister will find in this suggestion the germ of an idea which may grow and develop into something worth while for our war effort, for ourselves, and for our nation as a whole.

Mr. ROWE: And for the Liberal party.

Mr. GRAYDON: The Hong Kong question has been most unfortunate from many points of view. I have been sorry to see the house at times with its nerves frayed, and hon. members bandying epithets backwards and forwards over what seem to be inconsequential matters. I do not like to see the dignity of the house lowered, particularly when the news from so many fronts is so bad. I caution the government and all hon. members that at this time in our history we must rise to a position where the public will have supreme confidence in us as their representatives, and will say that we are doing a good job and leaving nothing undone to achieve a total war effort. The government as well as private members have a responsibility in this regard, which I hope that they and we shall be able, with God's help, effectively to discharge.

Hong Kong Inquiry

Hon. ANGUS L. MACDONALD (Minister of National Defence for Naval Services): Mr. Speaker, I had not intended to take part in this debate, and probably I should not have done so but for the fact that I sit as a member of the war committee of the cabinet which in the first place authorized the sending of this expedition to Hong Kong. On that account I feel that the house might expect that I should say something in justification of the war committee.

It is well to keep in mind certain points of time in connection with this whole matter of Hong Kong. The first significant date is January 12, 1942, when Mr. George A. Drew, K.C., speaking in the city of Toronto, in the midst of a by-election campaign in support of the candidature of the Right Hon. Arthur Meighen, made what I believe to be the first direct charge or statement that something was wrong with the Hong Kong expedition. Mr. Drew at that time devoted his criticism to the state of training of the men who were sent to Hong Kong.

The next date which is significant is January 21. When the house reassembled on that day, the Minister of National Defence (Mr. Ralston), without any prompting or urging, made a very full and fair statement with regard to Hong Kong. He dealt with the decision to send a Canadian force there. He went on to deal with the composition of the force: then he referred to its preparation, its equipment and transportation, and finally its operations in Hong Kong itself. That statement, as I say, was unsolicited, unasked for; it was made by the minister at the earliest moment at which he could make it to this parliament. The leader of the opposition (Mr. Hanson) complimented the minister upon his statement and said this, as reported in Hansard of January 21, 1942, at page 4473:

. I think the country owes the minister (Mr. Ralston) its thanks for having made an objective and explicit statement about the situation at Hong Kong.

He went on to say:

I offer no criticism at all of the government for having sent these two battalions to Hong Kong.

Mr. HANSON (York-Sunbury): And I never have.

Mr. MACDONALD (Kingston City): That was on January 21. On the following day, that is within twenty-four hours of his first statement, the leader of the opposition had a change of heart or a change of mind, either of his own accord or by some sort of suggestion from outside, because he then said this, as reported at page 3 of *Hansard*, of January 22:

After careful perusal and intensive study of the statement made yesterday by the Minister of National Defence (Mr. Ralston) regarding the Hong Kong expedition, I have now come to the conclusion that a very serious situation is revealed and one with which I feel bound to deal. When I made my statement yesterday I was not dealing specifically with the question of man-power.

The hon. gentleman went on to say that he was concerned about, first of all, the lack of trained man-power in Canada. That statement is significant in view of the fact that a political campaign was going on in this country at that time, that four by-elections were being held, in which the question of man-power and the question as to the best method of obtaining man-power were very much under discussion. My hon. friend put that as the first of the problems which worried him. The second was that there were no universal carriers which he called "fighting vehicles", but which are not in the strict sense of the term fighting vehicles. In the third place he complained of the lack of mechanical transport. He ended up by asking that a committee of investigation into this matter be appointed.

That was on January 22, and the leader of the government (Mr. Mackenzie King), speaking almost immediately, said that there would be no desire on the part of the government to limit the investigation in any way or in any particular.

The next date which has significance was February 13, when the Prime Minister announced that he was laying on the table a copy of the order in council appointing Right Hon. Sir Lyman Poore Duff as commissioner to inquire into and report upon the Hong Kong affair.

May I pause to say that before Sir Lyman Duff was appointed as commissioner, this appointment, his suitability for the task, were discussed with the leader of the Opposition, with the leader of the Cooperative Commonwealth Federation (Mr. Coldwell), and with the leader of the Social Credit party (Mr. Blackmore), and they, as I understand, agreed without any dissent whatever that the appointment would be an excellent one. They had no objection whatever to that appointment. But it was not only they who agreed. The press of the country generally welcomed the appointment, and so did the House of Commons. I need cite no further support in the way of newspaper comment than an editorial from the Montreal Gazette and another from the Globe and Mail. This is what the Gazette had to say a day or two after the Prime Minister had announced the appointment:

Prime Minister King's announcement that a royal commission will conduct the promised inquiry into the circumstances attending the sending of two battalions to Hong Kong would [Mr. A. L. Macdonald.] be welcome in itself, but it comes with greater, much greater, force by reason of the fact that Right Hon. Sir Lyman Duff, Chief Justice of Canada, has undertaken to conduct the inquiry. Premier King has described this as the best possible choice and no one anywhere in Canada will take exception to his statement.

That was the view of the Montreal Gazette on February 16. The Toronto Globe and Mail, in its editorial on February 14, the day after the announcement, said:

The greatest commendation can be given to Prime Minister King for his decision to entrust the investigation of the Hong Kong tragedy to Chief Justice Sir Lyman Duff instead of to a special committee of the House of Commons. The proceedings of such a committee, in which there would have been a partisan majority, could scarcely have failed to produce a series of unpleasant wrangles and evolve an unsatisfactory report. . . .

And so on. I would point out that these two newspapers are foremost to-day in criticizing the report made by Sir Lyman Duff. These men, who agreed in advance that the appointment was an excellent one, are the very people who to-day are criticizing the findings of the commission. He is an excellent commissioner before he is appointed, but when he does not find the things which were expected to be brought out by the inquiry. he is no good. Certain members of this house -and I shall come to them in a momentsome of them with no experience either in war or in law, or in the interpretation of evidence, have criticized Sir Lyman Duff, and particularly has he been criticized by Mr. Drew. In fact, the criticism by Mr. Drew is the whole head and front of the offending in regard to this investigation and everything that went before it. If it were not for the statements and the activities of Mr. Drew. who seems to have an unusual but most unhappy flair for instigating investigations which bring no credit on himself and no benefit to the country, I venture to say that this Hong Kong inquiry would never have been held. The opposition, who yesterday and to-day have been so vociferous in their criticism of the report would have had nothing to say and the country would have gone about its business. I say that he is the head and front of all this offending, because of all who have spoken, of all who can speak either in this house or outside, he is the only one who knows all the evidence. Hon. gentlemen opposite are criticizing the Chief Justice of Canada because he has cited certain portions of the evidence, and certain portions only.

Mr. BRUCE: I rise to a point of order. I for one have not criticized the Chief Justice of Canada.

Mr. MACDONALD (Kingston City): Hon. gentlemen opposite are criticizing Sir Lyman Duff because he has cited only certain portions of the evidence, yet they themselves have before them only certain portions, at least they ought to have before them only certain portions. Some of them had a good deal more. The hon. member for Bow River (Mr. Johnston) had a good deal more yesterday when he was speaking because he was merely repeating, largely—

Mr. JOHNSTON (Bow River): Mr. Speaker, I rise to a point of order.

Mr. MACDONALD (Kingston City): I say to my hon. friend that he was merely repeating, largely, extracts from a letter written by Mr. George Drew—

Mr. JOHNSTON (Bow River): I ask the hon. gentleman to withdraw that.

Mr. MACDONALD (Kingston City): The hon. member was repeating-

Mr. JOHNSTON (Bow River): On a point of order, Mr. Speaker, I ask for your ruling on the statement which the Minister of National Defence for Naval Services has made. I ask him to prove that in any instance any reference that I made is untrue.

Mr. MACDONALD (Kingston City): That is the most amazing point of order ever raised in any assembly. I say to my hon. friend that he was quoting from a document prepared by Colonel George Drew. He has not denied it and cannot deny it, because it is true. Then he rises in his place—

Mr. JOHNSTON (Bow River): On a point of order, I deny that I was reading from a document.

Mr. MACDONALD (Kingston City): A letter is a document—

Mr. JOHNSTON (Bow River): I ask the minister to withdraw that statement.

Mr. MACDONALD (Kingston City): A letter is a document—

Mr. JOHNSTON (Bow River): Again I ask him to withdraw that statement.

Mr. MACDONALD (Kingston City): A letter is a document, and if my hon. friend was not reading from a document prepared by Colonel Drew, he was reading from a copy of it. He was following exactly the same sort of order and using exactly the same sort of arguments that Colonel Drew used in that letter.

Mr. JACKMAN: Great minds think alike.

Mr. MACDONALD (Kingston City): Yes, great minds think alike.

Mr. JOHNSTON (Bow River): The minister said I was reading from a document written by Colonel Drew, and I ask him to withdraw that statement.

Mr. MACDONALD (Kingston City): I ask my hon. friend if he was not quoting from a copy of a document or a letter—

Mr. JOHNSTON (Bow River): I ask the minister to withdraw that statement because it is untrue.

Mr. MACDONALD (Kingston City): I want to know if my hon. friend was not yesterday, when making a speech in this house—

Mr. JOHNSTON (Bow River): I am asking for your ruling, Mr. Speaker.

Mr. MACDONALD (Kingston City): If my hon. friend says he was not-

Some hon. MEMBERS: Order.

Mr. SPEAKER: A point of order has been raised. The hon. member for Bow River states that the Minister of National Defence for Naval Services is making the statement that he, the member for Bow River, had been quoting from a document—

Mr. JOHNSTON (Bow River): Prepared by Colonel Drew.

Mr. SPEAKER: —and the hon. gentleman denies that it is so.

Mr. MACDONALD (Kingston City): Does he deny it?

Mr. JOHNSTON (Bow River): Yes. I was not reading from a document prepared by Colonel Drew.

Mr. MACDONALD (Kingston City): My hon. friend denies that he was reading from a document prepared by Colonel Drew, or quoting from a document prepared by Colonel Drew, and I must accept his denial under the rules of the house. But I would ask him from what he was quoting yesterday afternoon.

Mr. JOHNSTON (Bow River): The minister seems to know all about it.

Mr. MACDONALD (Kingston City): I think the house can judge who is right and who is wrong in this particular argument. These hon. gentlemen are criticizing Sir Lyman Duff for eiting only portions of the evidence. They go presumably—they must go—on those portions which the chief justice has quoted. He has had the advantage of having heard all the evidence, and he has done what judges have done from the beginning of time in framing judgments; he has quoted only portions of the evidence. I ask my hon. friend the leader of the opposition

or any other lawyer in this house if he has ever seen a judgment delivered anywhere where the whole evidence is quoted? It is never done. The judge quotes simply such portions of the evidence as he regards as relevant and supporting his findings.

Mr. HANSON (York-Sunbury): I should like to answer that and to ask the hon. member a question. I say I never have, but has he ever known a court of appeal, which parliament is, to deal with a case without having the evidence before it?

Mr. MACDONALD (Kingston City): This is not a court of appeal. It is a place where matters may be discussed, that is all. It has not the power to overrule a judgment. That is the power a court of appeal has, a totally different matter.

Mr. HANSON (York-Sunbury): It has the power of reviewing the whole matter.

Mr. MACDONALD (Kingston City): Yesterday hon. members had this to say about the chief justice. The hon. member for Lake Centre (Mr. Diefenbaker) said that the commissioner had quoted only such portions as supported the finding. If by that my hon. friend means that the commissioner was illustrating his findings, then I would say a statement of that sort is all right; but if he means that the commissioner deliberately picked out parts of the evidence and suppressed others in order to give some colour of logic and truth to his findings, then I say it was a most unfortunate statement.

The hon. member for Weyburn (Mr. Douglas), who is not a lawyer, said that the report and the appendix were amazing documents and that the conclusions were not warranted by the facts.

Then my distinguished friend from Bow River went further, much further than anybody else, because he started out by saying that the commissioner was most partial. He then said that it was a most biased report. He then said that the report misrepresented the truth. He then said that the report white-washed the government. He went on to say that the evidence of the Minister of National Defence for Air (Mr. Power) had been misinterpreted. He went on to say that exhibit 45, only part of which the chief justice would allow to be published, was inaccurate.

Mr. JOHNSTON (Bow River): I never said that exhibit 45 was inaccurate.

Mr. MACDONALD (Kingston City): That is the note I took down. That is the sense of the words used by my hon. friend as I heard him.

[Mr. A. L. Macdonald.]

Mr. JOHNSTON (Bow River): On a point of order, I ask that the minister withdraw that statement. I never said that exhibit 45 was inaccurate.

Mr. MACDONALD (Kingston City): I will get the exact words my hon. friend used. I cannot read all my hon. friend's speech, but the note I took down was as I say. What did my hon. friend say about exhibit 45?

Mr. JOHNSTON (Bow River): Let the minister tell it.

Mr. MACDONALD (Kingston City): My hon. friend raised the point of order. Will he point out what he did say?

Mr. JOHNSTON (Bow River): I ask as a point of order that the minister withdraw the statement that I said that exhibit No. 45 was inaccurate. I ask for your ruling, Mr. Speaker.

Mr. SPEAKER: The hon. member says that the statement attributed to him was not made by him and asks that it be withdrawn.

Mr. MACDONALD (Kingston City): I am bound to accept my hon. friend's word that he did not say it, and I have not time to run through his whole speech in *Hansard* to find what he said, but I say again that my note which I took down at the time—

Some hon. MEMBERS: Order.

Mr. MACDONALD (Kingston City): I am bound to accept my hon. friend's statement.

Mr. HANSON (York-Sunbury): I suggest that my hon. friend withdraw.

Mr. MACDONALD (Kingston City): I have said I am ready to accept my hon. friend's word. If he states that he did not say that, I withdraw.

My hon. friends after criticizing the commissioner, after criticizing Sir Lyman Duff, defend themselves by saying that they are not attacking the Chief Justice of Canada; they say he is only a commissioner. But I would point out that under the order in council appointing the Chief Justice of Canada as commissioner, he was given all the powers and immunities enjoyed by a judge of any superior court in Canada while exercising his judicial function.

Mr. HANSON (York-Sunbury): If he was a judge, why give him the powers of a judge? He had them anyway.

Mr. MACDONALD (Kingston City): I recognize that there is a distinction between a man sitting as judge and a man sitting as commissioner. But in this case the order in council definitely gave to the commissioner the immunities of a judge. In any event, the very same qualities that are necessary in a good commissioner are the qualities necessary in a good judge. Hon. members cannot begin to attack the findings of the commissioner, his interpretations of evidence, his conclusions from testimony. They cannot attack Sir Lyman Duff, the commissioner in the Hong Kong inquiry, without at the same time attacking Sir Lyman Duff, the Chief Justice of Canada.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. MACDONALD (Kingston City): Mr. Speaker, I had been discussing the references made in the house and outside it to Sir Lyman Duff, the commissioner appointed to investigate the Hong Kong affair. I pointed out that the criticisms made here of Sir Lyman Duff are criticisms that go to his value as a judge, just as surely as they are directed against his value as a commissioner. The statement that the commissioner drew wrong inferences from the evidence, the statement that he made findings unsupported by fact, the statement that he quoted only such portions of evidence as would support his findings-all of these things are just as evil and just as much to be condemned in a judge as in a commissioner. If the man who sat as commissioner in this instance possessed these qualities which have been attributed to him by some hon. members, then he is not fit to be a judge in any court in this country.

The judiciary of Canada, the judiciary of any part of the British empire, has always been held in the very highest esteem. In that judiciary to-day, as was pointed out this afternoon by the hon. member for Vancouver-Burrard (Mr. McGeer), there is no brighter name than that of Sir Lyman Duff. It is not to be thought for a moment that this venerable judge, now nearing four score years of age, with fifty years of distinguished service on the bench and at the bar of his country behind him, in the twilight of his life, would deliberately misinterpret evidence and draw conclusions not warranted by the facts, or do any one of the dozen other things attributed to him by some hon, members.

I come now to the decision of the war committee to send troops to Hong Kong. That decision has been criticized. The hon. member for Vancouver South (Mr. Green) said that the report showed clearly a lack of

understanding of the Japanese and the Pacific situation on the part of the war committee, on the part of the Department of National Defence and on the part of the Department of External Affairs.

The hon. member for Weyburn (Mr. Douglas) said that the intelligence service of the United States knew on October 16 that hostilities were likely to break out in the Pacific, and word of this was forwarded to their army and navy commands. Then he went on to say that either the British intelligence knew it or did not know it; and he asked, if the British intelligence knew it, was it or was it not conveyed to the Canadian government? If it was conveyed to the Canadian government, why did the Canadian government not take some action in that regard? If the British government did not convey that information to the Canadian government then, he asked, have we the proper machinery to establish a liaison between the war office in London and the Department of National Defence in Canada.

The hon. member for Souris (Mr. Ross) said that the joint defence board should have been seized of the situation, and that the Canadian press might have acquired some knowledge of it from their United States confreres.

The hon. member for Témiscouata (Mr. Pouliot) also criticized the war committee for its stand on this point.

Let me state first of all with regard to the United States opinion something which appears in the Roberts report. I find this:

On October 16, 1941,-

This is what the hon. member for Weyburn was referring to.

-the commanding general, Hawaiian department, and the commander in chief of the fleet were advised by the war and navy departments of the changes in the Japanese cabinet, of the probability-

Note the word "probability."

-of hostilities between Japan and Russia, and of the possibility of attack by Japan on Great Britain and the United States.

Notice the reference to the "possibility of attack by Japan on Great Britain and the United States" and "the probability of hostilities between Japan and Russia."

That is the finding of the Roberts commission, and the only finding I can find within the Roberts report to indicate the action taken on October 16. Yet hon. gentlemen time and again in the house, both to-day and yesterday, have spoken as if the United States government had some information which we did not have and which we did not know about but which we ought to have had. The Roberts report points out that all the information there was, indicated that there was the possibility of a war between Japan and the United States, but the probability of a war between Japan and Russia.

As to the information from Great Britain, hon. members have made much of exhibit No. 45 which is quoted at page 61 of the Hong Kong report, and to which reference is made at page 16. The hon. member for Bow River called me to order before six o'clock, because I had stated that he had referred to that exhibit as being inaccurate. The hon. member denied that, and said that he had not stated it was inaccurate. Turning to page 4800 of *Hansard* I find the hon. member spoke as follows:

The telegram of October 26 mentioned by General Stuart contains the following: "Consensus opinion that war in far east unlikely at present."

Then the hon. member proceeds to say:

I suppose I shall have to refer to the report again, so that I will turn to page 61 of the report. I fancy I will be correct when I say that here again a partial statement was issued in the report.

I want the house to mark these words:

When a partial statement is taken out of its context and put in as giving a fact and an impression of opinion is based on that portion of the document, it is most misleading.

Mr. JOHNSTON (Bow River): Is that not correct?

Mr. MACDONALD (Kingston City): I say to my hon. friend that he gave the impression that the quoting of part of the telegram which was set out as exhibit 45 was misleading. I say that is a much stronger statement than to say it was inaccurate.

Mr. JOHNSTON (Bow River): I did not say that the portion was misleading; I said when a section is taken out of its context, that would be misleading.

Mr. MACDONALD (Kingston City): My hon. friend said:

When a partial statement is taken out of its context—

He was referring to exhibit 45.

Mr. SPEAKER: The statement as it appears in *Hansard* will speak for itself. The hon. minister has given his interpretation, and the hon. member has recalled the remarks he used. The house will be able to put a proper interpretation upon it.

Mr. MACDONALD (Kingston City): The hon. member has referred to the telegram from the war office, and has suggested, if he has not definitely stated, that certain things were

[Mr. A. L. Macdonald.]

suppressed which might have put an entirely different aspect upon that telegram from the war office. It is true that the telegram, of which exhibit 45 is part, contained a good many other things which the commissioner did not see fit to make public. But I cannot see how anything in the telegram could detract from or vary the meaning of these plain words, "consensus opinion that war in far east unlikely at present." That is the opinion we had from Canadian military headquarters based upon the opinion they had from the war office. The British opinion was that war was unlikely; the United States opinion was that war with Japan was only a possibility, and yet hon. members keep on trying to create the impression that we had some knowledge or that we should have had some knowledge to the contrary.

Mr. JOHNSTON (Bow River): What did the Minister of National Defence for Air (Mr. Power) say about that?

Mr. MACDONALD (Kingston City): The evidence of the Minister of National Defence for Air was that there was a good chance of war with Japan. There was a chance of war with Japan and we knew that all summer. Does my hon. friend or any other hon. member suggest that when we were asked to send troops to garrison Hong Kong in time of peace, when we were not at war with Japan, that we should have withdrawn those troops the minute we heard there was going to be war? If we had done that, all the commotion that we are going through to-day would be as nothing compared with what would have happened.

Mr. CASSELMAN: Another straw-man knocked down.

Mr. MACDONALD (Kingston City): Hon. gentlemen have been urging that troops be sent to almost every quarter of the globe. They have been advocating conscription for overseas service in order that more troops may be sent overseas. Yet when we send 2,000 troops to Hong Kong—

An hon. MEMBER: Untrained.

Mr. MACDONALD (Kingston City): They were not untrained; they were well-trained troops, as well trained as any troops in Canada. When we send 2,000 troops to Hong Kong there is all this talk and commotion. I say it would have been accentuated a thousand-fold if we had not done what we did. There was no other course open to the war committee. We took the course we did, and for the reasons that were apparent. If we had to do the same thing over again, I am sure we would take exactly the same course.

proof of incapacity on the part of the responsible military authorities and demon-strates the immediate and urgent need for a comprehensive reorganization of the Department of National Defence.

I am not here to beg mercy for anybody, and least of all need I ask it for the Minister of National Defence. I am sure if the Minister of National Defence for Air were here, he would support me to the full. As com-pared with our distinguished colleague, the Minister of National Defence, the Minister of National Defence for Air and myself have had easy times. We have had no great difficulty in getting men. The air force is fighting; the navy is fighting, but the Minister of National Defence has had to contend for over two years with criticism from every part of this country against the methods of his department. Why is the army not fighting? Why are they not doing this? Why are they not doing that? The fact that they are not fighting is not the fault of the Canadian army, and it certainly is not the fault of the Minister of National Defence. As one who has worked closely with the Minister of National Defence for more than two years, I cannot conceive of any minister in any department who brings to his department greater experience, greater zeal, greater energy, greater patriotism and greater devotion than does the Minister of National Defence to his.

Mr. SPEAKER: I am sorry to have to inform the hon. minister that his time has expired.

The question is on the amendment. Those in favour of the amendment will say "aye."

Some hon. MEMBERS: Aye.

Mr. SPEAKER: Those opposed will say "nay."

Some hon. MEMBERS: Nay.

Mr. SPEAKER: In my opinion the nays have it. I declare the amendment lost.

Mr. HANSON (York-Sunbury): On division.

Mr. MacKENZIE (Vancouver Centre): For the first time in Canadian history an opposition moving a vote of want of confidence has virtually withdrawn it on division.

And five members having risen in their places:

Mr. SPEAKER: Call in the members.

The house divided on the amendment (Mr. Green), which was negatived on the following division:

YEAS Messrs:

Aylesworth Blackmore Boucher Cardiff Casselman (Grenville-Dundas) Castleden Church Diefenbaker Douglas (Weyburn) Esling Fair Fraser Peterborough West) Gillis Gravdon Green Hanson (York-Sunbury)

NAYS

Abbott Bercovitch Bertrand (Laurier) Bertrand (Prescott) Black (Chateauguay-Huntingdon) Blair Blanchette Bonnier Cardin Casselman, Mrs. (Edmonton East) Chevrier Clark Cloutier Corman Coté Crerar Crète Dechene Denis Donnelly Douglas (Queens) Dubois Dupuis Durocher Edwards Emmerson Eudes Evans Farquhar Fauteux Ferland Ferron Fleming Fontaine Fournier (Hull) Fournier (Maisonneuve-Rosemont) Fraser (Northumber-land, Ont.) Fulford Furniss Gibson Gingues Gladstone Golding Grant Grav Gregory Hanson (Skeena)

Harris (Danforth) Hazen Hlynka Jackman Kuhl Lockhart McGregor MacNicol Marshall O'Brien Poulict Ross (St. Paul's) Rowe Roy Senn Stirling Stokes Tustin-34.

Messrs: Healy Hill Howden Howe Hurtubise Ilsley Isnor Jean King, Mackenzie Kinley Kirk Laflamme Lafontaine Lalonde Leclerc Leduc Leger Little McCann McCuaig McCubbin McCulloch MacDiarmid Macdonald (Brantford City) Macdonald (Halifax) Macdonald (Kingston City) McDonald (Pontiac) McGarry McGeer McGibbon McIlraith MacKenzie (Lambton-Kent) MacKenzie (Neepawa) Mackenzie (Vancouver Centre) MacKinnon (Edmonton West) McKinnon (Kenora-Rainy River) McLarty MacLean (Cape Breton North-Victoria) McLean (Simcoe East) Macmillan McNevin (Victoria, Ont.) McNiven (Regina City) Marier

4885

Hong Kong Inquiry-Division

O'NeillThauvettePinardThorsonPoirierVeniotPurdyVienRalstonWarrenRennieWeirRhéaumeWhitmanRickardWinklerRoebuckWood—130.	Pinard Poirier Purdy Ralston Rennie Rhéaume Rickard Roebuck	Thorson Veniot Vien Warren Weir Whitman Winkler
Ross (Calgary East)		W 000-130.

PAIRS

(The list of pairs is furnished by the chief whips.)

Picard	Anderson
Lizotte	Homuth
Lacroix (Beauce)	Desmond
McIvor	Hatfield

Mr. PERLEY: I was paired with the Minister of Agriculture (Mr. Gardiner). Had I voted, I would have voted for the amendment.

Mr. CRUICKSHANK: I was paired with the hon. member for Yukon (Mr. Black). Had I voted I would have been delighted to vote against the amendment.

Mr. BLACK (Cumberland): I was paired with the hon. member for Halton (Mr. Cleaver). Had I voted I would have voted for the amendment.

Mr. ROSS (Souris): I was paired with the hon. member for Swift Current (Mr. Graham). Had I voted, I would have voted for the amendment.

Mr. BENCE: I was paired with the hon. member for Assiniboia (Mr. Tripp). Had I voted, I would have voted for the amendment.

Mr. JOHNSTON (Bow River): I was paired with the hon. member for Medicine Hat (Mr. Gershaw). Had I voted, I would have voted for the amendment.

Mr. QUELCH: I was paired with the hon. member for Cochrane (Mr. Bradette). Had I voted, I would have voted for the amendment.

Mr. MacKINNON (Kootenay East): I was paired with the hon. member for New Westminster (Mr. Reid). Had I voted, I would have voted for the amendment.

Main motion (Mr. Ilsley) agreed to, and the house went into committee of supply, Mr. Vien in the chair.

[Mr. Speaker.]

DEPARTMENT OF JUSTICE

88. Departmental administration, \$156,750.

The CHAIRMAN: Item stands.

Some hon. MEMBERS: No.

Mr. HANSON (York-Sunbury): Would the Prime Minister be good enough to explain just what is proposed to be done, so that the committee will have a clear understanding.

Mr. MACKENZIE KING: Mr. Chairman-

Some hon. MEMBERS: Hear, hear.

Mr. HANSON (York-Sunbury): Well, it does not take much, does it?

Some hon. MEMBERS: Hear, hear.

Mr. MACKENZIE KING: It looks as though the government still has the confidence of the House of Commons. At the moment we are seeking to have two or three new departments called simply that we may be able to proceed with the estimates of those departments later in the week. We have taken one item of the Department of Justice. It is proposed to take now one item of the Department of Mines and Resources, and, if no exception is taken, we would call one item in national war services. I understand that it is the desire of the leader of the opposition to retain one department for to-morrow.

Mr. HANSON (York-Sunbury): One for each day.

Mr. MACKENZIE KING: Wednesday is the only one more day.

Mr. CRERAR: Unless you go to next week.

Mr. MACKENZIE KING: When these items are called the committee will be asked to rise, report progress and sit again to-day. As I indicated this morning, we shall then return to the routine proceedings, and after the orders of the day have been called we shall come back later into committee of supply.

Item stands.

DEPARTMENT OF MINES AND RESOURCES

122. Departmental administration, \$151,088. Item stands.

com stanus.

DEPARTMENT OF NATIONAL WAR SERVICES

200. Canadian travel bureau service—to assist in promoting tourist business in Canada, \$500,000.

Item stands.

Progress reported.

REPORTS OF COMMITTEES

Third report of standing committee on banking and commerce.—Mr. Moore.

4886

WAR EXPENDITURES—CONCURRENCE IN FIFTH REPORT

Mr. ALPHONSE FOURNIER (Hull) moved that the fifth report of the special committee on war expenditures be concurred in.

Motion agreed to.

PRIVATE BILL

CANADIAN ALLIANCE INSURANCE COMPANY

Mr. W. H. MOORE (Ontario) moved:

That Bill 116, to incorporate Canadian Alliance Insurance Company, reported upon this day by the standing committee on banking and commerce, without amendment, be placed immediately on the order paper of the house for consideration in committee of the whole.

Motion agreed to.

PRECIOUS METALS MARKING ACT

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved for leave to introduce Bill No. 121 to amend the Precious Metals Marking Act.

Mr. HANSON (York-Sunbury): Will the minister explain why this bill has been left to the eleventh hour?

Mr. MacKINNON (Edmonton West): When Bill No. 121 was presented to parliament in the second session 1940-41, the intention was to amend subsection 7 (a) of section 10 of the Precious Metals Marking Act, but through inadvertence (a) was omitted from the amendment. Consequently all of subsection 7 was repealed, thus eliminating (b) of subsection 7 of section 10 of the act.

Subsection (b) is an integral part of the act. It prevents the stamping of such marks as "10K-Gold plate" on a watch case when the gold would be of infinitesimal thickness. It draws a distinct line between gold-filled watch cases and gold-plated watch cases. It affords definite protection to the buying public. It has been an effective part of the act since 1934.

It is important that it be legislated back into the act with force and effect as of the date of the amendment of the act of 1941 when it was inadvertently repealed.

Mr. HANSON (York-Sunbury): It looks like poor staff work.

Mr. MacKINNON: Somewhere, certainly.

Motion agreed to and bill read the first time.

Wheat and Coarse Grains

WHEAT AND COARSE GRAINS

STORAGE ON FARMS-AVAILABILITY OF MATERIAL FOR CONSTRUCTION OF GRANARIES

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I wish to direct a question or two to the Minister of Trade and Commerce on the basis of a report in the Winnipeg newspapers under date of July 25. I quote from the Winnipeg *Tribune*:

Grain Storage Problem

The greatest grain storage problem in Canada's history is now in sight. . . At present roughly 380 million bushels of grain are visible in Canada.

The report goes on:

Assuming that Canada, on the basis of present crop prospects, produces a total of all grains of approximately 1,000,000,000 bushels and allowing for the storage space now in sight of 170,000,000 bushels, or even 200,000,000 bushels, the immense total of possibly 800,000,000 bushels of all grains will have to be stored elsewhere.

The report says further that there are indications that the government is considering some form of aid to farmers to provide storage space on farms. With labour scarce and the season relatively close to harvest time the situation is a serious one.

My questions are these: The wheat board, I understand, were in Ottawa consulting with the minister last week. Will he make a statement assuring this house and the producers that some form of storage will be allowed on the farms similar to that provided for in the regulations for storage on the farms in connection with the 1940-41 crop, and will he assure the producers that the government will endeavour to make available lumber for increased storage on farms?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): All I can say is that the matters referred to by the hon. member for Qu'Appelle have been receiving the close attention of the wheat board and of the members of the government. The wheat board have been in Ottawa in consultation with the government and with members interested in this problem. Recently they returned to Winnipeg for further study of the conditions that will confront the board and the government in connection with the prospect of a very heavy crop of wheat and of coarse grains. The question of farm storage has been and is being discussed, but no definite decision has been reached.

As regards lumber supplies being made available for the construction of granaries on farms, that matter has been taken up with the proper authorities not only as regards lumber but as regards nails, which are a very important factor. Other matters in the same connection have been receiving attention.

Mr. PERLEY: Is the minister considering the bringing into force of regulations providing for storage for farmers?

Mr. MacKINNON (Edmonton West): The whole matter is under consideration.

"O CANADA"

REQUEST FOR STATEMENT IN ANSWER TO QUESTION AS TO STATUS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I wish to ask the Prime Minister a question arising out of the reply which he gave the hon. member for Comox-Alberni (Mr. Neill), as reported at page 4775 of Hansard yesterday, with reference to "O Canada". I did not like to bring this matter up on the motion to go into supply for the simple reason that I did not wish to take up the time of the house, but I would point out that the hon. member for Quebec-Montmorency (Mr. LaCroix) has had on the order paper eight different questions, all to the same effect, about a change of flag and anthem. The reply which the government has invariably given in this connection is that the war is on and that secondary matters can wait, which is right. But yesterday the Prime Minister gave a different answer with reference to "O Canada". The reply which he gave me in 1927 was that "God Save the King" had been and always would be Canada's national anthem, by law, statute, custom and usage. The learned gentleman informed me in 1927 that there was another anthem, provincial, not national, by custom in certain sections of Canada. I think that if the right hon. and learned gentleman will look into this question he will find that his answer given yesterday was not correct, because we were told, in reply to the eight questions to which I have referred, that the matter was being left in abeyance until after the war. I challenge his statement of yesterday. The House of Commons consists of 245 members, and it has decided on four or five different occasions that there shall be no change. I fail to see, therefore, why the Prime Minister made the statement which he did yesterday and which I repeat is incorrect.

Right Hon. W. L. MACKENZIE KING (Prime Minister): The statement I made yesterday is wholly correct. My hon. friend refers to some date some years ago. Since that time we have had in Canada a visit by our King and Queen and on the occasion when Their Majesties were here, both "God Save the King" and "O Canada" were given like recognition as national anthems.

TAXATION

EXCESS PROFITS AND INCOME TAX—OVERLAPPING OF JULY AND AUGUST PAYMENTS

On the orders of the day:

Mr. NORMAN J. M. LOCKHART (Lincoln): I do not like to raise the question too frequently, but I wonder if the Minister of Finance could answer either "yes" or "no" to the question I asked in connection with payments on income tax and excess profits. I have telegrams from people inquiring whether they must raise the money before July 31 for two months' payments at once, or whether there is to be some change.

Hon. J. L. ILSLEY (Minister of Finance): I will make a statement to-morrow at eleven o'clock on the orders of the day. I cannot make one before then. I have discussed the matter very fully this afternoon with my officials, and it may be possible to make some amelioration of the present plans, but not to the extent that the hon, gentleman requests.

HOUSING

INQUIRY FOR STATEMENT ON GENERAL SITUATION

On the orders of the day.

Mr. T. L. CHURCH (Broadview): I should like to ask the Minister of Finance whether he is prepared to make a statement to-morrow on the general housing situation. The situation in the big cities is very grave.

Hon. J. L. ILSLEY (Minister of Finance): I said I would make a statement before the house adjourns. I intended to make it when I introduce the supplementary estimates or on the finance estimates, but I might possibly be able to make it on the orders of the day to-morrow, if that would be of any advantage.

LABOUR CONDITIONS

SHORTAGE OF MEN IN NOVA SCOTIA COAL MINES

On the orders of the day:

Mr. P. C. BLACK (Cumberland): I should like to ask the Minister of National War

4888

[Mr. J. A. MacKinnon.]

Supply-Post Office

Services and the Minister of Labour if there has been an inquiry into the need for additional men to operate the mines, more particularly on the mainland of Nova Scotia, so that they may operate to capacity to meet the pressing demands for coal especially at this season of the year. I understand that in those mines there is a great shortage of men on account of the very large enlistment in that section of Nova Scotia.

Hon. HUMPHREY MITCHELL (Minister of Labour): The whole question of man-power in certain basic industries, including mining, is receiving the attention of the government at the present time.

SUPPLY

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

POST OFFICE DEPARTMENT

243. Departmental administration, \$743,650.

Mr. BENCE: When this matter was before the committee on Saturday night I was making some remarks, first of all on general lines with respect to the matter of the continuation of political patronage in certain sections of the Post Office Department. I took, and I still do take, emphatic objection to the continuation of this practice, irrespective of the fact that it may have been carried on for some years, and, as some hon. members suggested the other evening, under several administrations. I do so because I believe that the continuation of admitted political patronage in the matter of appointments to any department is damaging to the morale of our people, particularly during time of war.

I say that for this reason. It is recognized that within the Post Office Department certain appointments are made by way of political patronage, and naturally the person who receives the appointment bears the same political stripe as the government of the day. The man on the street makes no great differentiation between departments of the government, whether it be post office, munitions and supply, army, navy, or any of the other departments. I think he almost necessarily comes to the conclusion, as I suggested on Saturday nightyou have a very hard time to persuade him otherwise-that the same practice holds true with respect to other departments. I suggest that at a time when the government is asking the utmost from our people and wanting them to put everything they have into the war, to make the sacrifices they do in the way of money and services, and to give their sons

and their daughters to the armed services, the government should, for the duration of the war anyway—although as far as I am personally concerned I should like to see the practice completely eliminated—see that all appointments in all departments should be on a purely non-political basis.

On Saturday I read certain correspondence-

Mr. MULOCK: Would the hon. member permit me? We are on an item dealing with general administration. The next item deals with post offices. It makes a difference as to which official is present. If the hon. member has no objection, before continuing with the Bruno matter, which I believe is the one he wants to discuss, would he wait until we reach the next item? I would have the official in charge here.

Mr. BENCE: I have no objection; the only thing is that I thought I should complete the record, because the Postmaster General asked me to put a certain letter on record, and there are two or three others.

Mr. MULOCK: It is just a matter of having the proper official here.

Mr. BENCE: It will come under the next item, will it?

Mr. MULOCK: Yes.

Mr. MacNICOL: Under departmental administration I should like to ask the Postmaster General a question. He will remember that last fall in Toronto particularly, there was a good deal of turmoil and excitement over the interference with mail of what is known as the North Toronto Bible House. I have never yet heard an explanation or read anything in the press as to how that interference came about and the result of it. But I do remember a great meeting was held in Knox church, Toronto, one of the most important churches in the city. The speaker on that occasion was one of Toronto's outstanding citizens, Rev. T. Christie Innes. and at that meeting a resolution was passed, only part of which—so as not take too much time— I shall read:

That we, gathered together in the historic Knox Presbyterian church, Toronto, for public worship, on Sunday, October 12 at seven p.m. are shocked to realize the seriousness of the situation created by your action as Postmaster General in prohibiting mail to a North Toronto Bible House. Bearing all the facts in mind, we do hereby unanimously convey to you our profoundest moral repugnance at an action which we, as law-abiding citizens and loyal Canadians, regard as a flagrant outrage against our traditional British liberties.

Supply-Post Office

I was not at the meeting because I was out of town, but I read about it in the press and I should like to know for my own information what was the background that encouraged the minister first to rescind the mail privileges of that house and, presuming they were later restored, why they were restored.

Mr CHURCH: I wish to support the statement of my colleague. I can say that the Post Office Department had little to do to go to the Department of Justice and ask for an opinion on a pure matter of policy and administration. I fail to see what that department-it was done before my honourable and learned friend came into the department-has to do with the administration of a public utility like the Post Office. I claim that the order issued was absolutely illegal, under the Post Office Act and under the code. The department had no such right. It is not done in Great Britain or in other places, and I fail to see why it was done here. The papers with regard to the matter should be tabled so that the committee may understand what kind of administration this is, when it comes to the administration of a public utility like the post office.

I call the attention of the committee to the fact that Toronto provides the greatest post office receipts in Canada, running to about \$8,444,000, or maybe a little more than that. In that city there is a surplus in favour of the Post Office Department of about \$1,500,000 from the administration of the Toronto post office. Long ago we should have had drop letters for one cent. In that way we would get back a little over half a million of that surplus, and the department would be giving a better service.

Like the Bell Telephone company and other public utilities, the post office is a public utility; but it is away behind the times, compared with the British post office. The British post office has added many new features through the period of two wars and a depression. This is a public utility which has a direct bearing on the life of every retail merchant. every wholesaler and every person in every city of this dominion. We are proud of the men in this department, and as a public utility it has been well run. The men who do the work for the department do it at very low rates of pay. I should hope that in connection with the Toronto post office and many others throughout Canada the minister might be able to announce improved labour conditions and an eight-hour day by law. Because of the war some of the older men in the service are having a struggle to get along, and some are not even making a living.

I should like to see the department keep up to date. For instance, many soldiers are travelling on trains, but when they get off those trains at divisional points they cannot buy postage stamps. It is the duty of the post office to provide for sales of stamps on trains. Every railroad station should sell postage stamps, through the Post Office Department, and the conductors or some other officials on the trains should be able to supply stamps, as is being done in many states across the boundary line.

I should like to have a statement from the minister as to the policy of the department in war time. There is about one residential delivery a day in Toronto. One mails a letter from here on Thursday night and it is delivered on Monday morning. There should not be a condition like that in a city having the commercial importance of Toronto. Toronto is only one city; I have no doubt the same condition applies to all other cities and towns in Canada.

Costly post offices have been built throughout Canada without any regard for economy. If one looks at the report of the Postmaster General, he will see that public buildings are being erected all across the country at huge cost, some of them with vacant top stories. I know of one post office building in my constituency in which the upper floors are vacant. I am sure that would not happen in connection with a large corporation like the Bell Telephone company or the Consumers Gas company. In my opinion that is an irregular procedure. The banks are building skyscrapers. In so doing they are violating section 82 of the Bank Act, and when that violation is committed the property should, by law, revert to the crown. One finds quite a wide difference between what was done by the British Post Office Department before the war for the working class in Great Britain, and what has been done in Canada.

I have discussed these matters with two or three of the minister's predecessors. It is true that the minister's report reflects an efficiently operated department, from what I can see of it. They seem to be a capable and able lot of men. The delivery men go round the streets in all kinds of weather, and at very small salaries. I do hope they get some improvements, and certainly drop letters should be reduced from two cents to one cent in Toronto, in view of the heavy revenues the department derives from that city.

Mr. BRUCE: I should like to join the hon. member for Davenport in making a protest against the action of the Post Office

4890

[Mr. MacNicol.]

Department. I have had a number of letters from substantial citizens of Toronto expressing their regret and resentment at the action of the Postmaster General or the Post Office Department in discontinuing the mailing privileges to the North Toronto Bible House.

Mr. MULOCK: Quite a number of matters have been covered by the three hon. members who have spoken. The hon. member for Davenport will excuse me if I answer some of the representations from other hon. members before turning to a discussion of the North Toronto Bible House.

I turn first to the points raised by the hon. member for Broadview with regard to the financial end of the matter. He referred particularly to the sale of stamps on railway property. I would suppose that that would be a matter for some other organization; certainly it is not for this department.

Second, the Post Office Department does not erect buildings. When it requires space it communicates with the Minister of Public Works. If he in his wisdom thinks it advisable to grant the accommodation, we are consulted—I will not say fully, but at least to some extent—as to the premises we require, and the general lay-out of the buildings we need. However, the Department of Public Works frequently make allowances for other government departments when they erect a public building.

The hon, member for Broadview raised the question of expense. May I point out to him that this department this year has a net surplus of about \$4,500,000. I believe he will agree that that is a very substantial surplus, but I cannot give him any hope for any reduction in postage in war time. No doubt representations have been made to him, with the suggestion that he should pass them on to me, to the effect that postage should be decreased. I do not think there is any immediate possibility of that taking place. I cannot hold out any hope to the hon, member for Broadview that during war time there can be any reduction in postage.

The matter of the North Toronto Bible House was originally dealt with as a purely departmental matter. It came to the attention of the deputy minister, and I am advised that he communicated with the deputy minister of justice seeking an opinion as to what action should be taken with respect to certain pamphlets which he doubted should be given the use of the mails. He sought an opinion as to whether there was any contravention of the Post Office Act, and whether they should not be denied the use of the mails.

Supply-Post Office

The matter was considered by the Department of Justice, and in due course a report was made to the deputy minister of this department that in the opinion of the Department of Justice these pamphlets should not be allowed the use of the mails.

Mr. MacNICOL: For what reason?

Mr. MULOCK: I shall deal first with the question of power. There was some question as to whether the Post Office Department had a right in a case such as this to prohibit the use of the mails. Section 7 paragraph (d) of the Post Office Act gives the Postmaster General the following power:

(d) make regulations declaring what shall and what shall not be deemed to be mailable matter for the purposes of this act, and for restricting within reasonable limits the weight and dimensions of letters and packets and other articles sent by post, and for prohibiting and preventing the sending of explosive, dangerous, contraband or improper articles, obscene or immoral publications, prints or photographs, or obscene or immoral post-cards, or letters or post-cards having printed, stamped or written on the outside thereof any words or devices which, in the opinion of the Postmaster General, tend to injuriously affect the commercial or social standing of the persons to whom they are addressed.

Under the above-mentioned authority regulations were established many years ago providing for the treatment to be accorded such articles found in the mail. This is not a new regulation. As far as I have been able to ascertain, it has been the general practice down through many years, under all governments of all parties. These regulations are contained in section 206 of the "Canadian Official Postal Guide", which reads as follows:

It is forbidden to post for delivery or transmission by or through the post any obscene or immoral book, pamphlet, picture, print, engraving, lithograph, photograph or other publication, matter or thing, of an indecent, immoral, seditious, disloyal or scurrilous character, or any letter upon the outside or envelope of which, or any post card or post band or wrapper upon which there are words, devices, matters or things of the character aforesaid, or any words or devices which in the opinion of the Postmaster General "tend to injuriously affect the commercial or social standing of the person addressed". Matter posted contrary to this prohibition is to be stopped and sent specially by first mail to the general superintendent, postal service (for inspection service), Ottawa.

In September, 1941, the attention of the department was directed to the fact that the mails were being used for the distribution of printed tracts entitled "My life in the convent" and "Presbyterian minister replies to Roman priest". The pamphlets also advertised certain other religious books. The Department of Justice was asked for an ex-

Supply-Post Office

pression of opinion as to whether this literature contravened the provisions of the criminal code or the Post Office Act. Under date of September 12, 1941, W. Stuart Edwards, deputy minister of justice, advised that in his opinion the pamphlets were published for an illegal purpose within the meaning of the Canadian postal regulations and that the posting of the items was forbidden by postal regulation 206.

In view of the opinion expressed by the deputy minister of justice, the officials, acting in accordance with the requirements of the foregoing regulation, issued an order prohibiting the delivery of all mail addressed to or coming from the Protestant Book and Tract House, Toledo, Ohio, United States, and the North Toronto Bible House, 2721 Yonge street, Toronto, the names of which organizations appeared on the printed tracts under discussion as distributors. The case was first brought to my attention on September 31, 1941, when I received a letter from the Reverend J. Taylor, proprietor of the North Toronto Bible House, asking why his mail was prohibited. I immediately had a full inquiry made and after a careful review of all the circumstances I was satisfied that the action taken in this case was in accordance with that taken by the department in many other cases of this kind and was the only proper and feasible course for the department to pursue in view of the requirements of the postal law and the regulations.

I fully explained the circumstances to the Reverend Mr. Taylor in a telegram dated October 2, 1941, and advised him that upon receipt of written assurance from him that he would discontinue the use of the mails for the distribution of the literature which had been declared illegal by the Department of Justice, full mailing facilities would be restored to the North Toronto Bible House, but that failing the receipt of such assurance the prohibitory order would remain in effect. Under date of October 4, 1941, the Reverend Mr. Taylor advised me that after carefully considering my message he found he was unable to furnish the assurance requested. I am informed that the district director of postal services at Toronto, Mr. A. M. Gibson, also got in touch with the Reverend Mr. Taylor on this point and was informed that he, the Reverend Mr. Taylor, would not give an assurance of this kind. In view of these refusals and of the opinion expressed by the Department of Justice that the pamphlets in question were illegal, the prohibitory order issued against the North Toronto Bible House has remained in effect.

I wish to point out that this is not an isolated case. A number of similar cases have come before my department, and I find that the attitude of the various Postmasters General in all administrations has been the same as that of the department in connection with the North Toronto Bible House. The only difference between the various other cases and that under discussion is that in the other cases the decisions were made solely by the Post Office Department, while in the case under discussion the officers in my department, having come to the conclusion that the pamphlets published immoral, indecent and scurrilous matters, decided to obtain an independent opinion from the Department of Justice, which as all members know, is the legal adviser of the government. As previously stated, Mr. W. Stuart Edwards, deputy minister of the latter department, expressed the opinion that the pamphlets were published for an illegal purpose within the meaning of the postal regulations. In this connection I would invite the attention of the committee to the House of Commons debates of April 29, 1940, volume 4, pages 3056 and 3057.

Mr. MacNICOL: I have never seen the pamphlets and I know nothing about them; all I know is what I have read in the statement. But I cannot understand how the pamphlets were published for an illegal purpose. I do not know who these people are, but I can hardly credit anyone calling themselves the North Toronto Bible House with publishing pamphlets for an illegal purpose? What was the illegal purpose?

Mr. MULOCK: I think it would be a good idea for the hon. member to see the pamphlets, and I shall be glad to show them to him. I think he will then agree with the department.

Mr. MacNICOL: I cannot understand why such a highly reputable and prominent man as the Reverend T. Christie Innes should hold, along with many other distiguished men, a great demonstration protesting against the action taken. What were they protesting against?

Mr. MULOCK: Against the mail for the North Toronto Bible House being stopped.

Mr. MacNICOL: I can hardly understand a man such as the Reverend T. Christie Innes subscribing to anything that was illegal. The minister comes from Toronto, and I know he has the right perspective and understanding of a man such as Reverend T. Christie Innes.

4892

[Mr. Mulock.]

Mr. MULOCK: There is no question about the standing of the Reverend Mr. Innes.

Mr. MacNICOL: I cannot credit for one moment that he would subscribe to anything that could be considered illegal. What I am trying to find out is what was illegal about the pamphlets? I have never seen them and they may be illegal, I do not know.

Mr. MULOCK: I invite the attention of the committee to the debates of this house on April 29, 1914, at pages 3056 and 3057 of *Hansard* with regard to a somewhat similar case, that of a publication entitled "The Menace", dealt with by the Hon. L. P. Pelletier, Postmaster General of that day.

An examination of the case of "The Menace" and that of the North Toronto Bible House will establish that the attitude and the policy of the Post Office Department in matters of this kind has been consistent down through the years. I wish to stress the fact that the attitude of the department is and has always been that any newspaper or pamphlet discussing religion in an abstract way is responsible for its own opinions, and the department does not in any way interfere in such cases. Men, whether Protestant or Catholic, may hold their views in the extreme and give pronounced expression to them in the most extreme way, and the department does not interfere; but when personal abuse reflecting on the honour and chastity of the women and the clergy of any denomination as a whole is indulged in and the Canadian mails are used for the distribution of such matter, the Post Office Department has always considered it as its duty not to permit the use of the mails for such purposes.

Mr. MacNICOL: Have mailing privileges been restored to the North Toronto Bible House, and if so, under what conditions?

Mr. MULOCK: They have not been restored because these people have not given us the necessary assurance. If they will give us the assurance that they will not use the mails for that purpose, they may have mailing privileges restored right away and they have been so advised. I spoke to the district inspector over the telephone and asked him to get in touch with Mr. Taylor and explain the situation to him, and the district inspector subsequently advised me that he had been in touch with Mr. Taylor, but they have not seen fit to give that assurance.

Mr. HAZEN: When the distinguished grandfather of the present Postmaster General occupied the position which the hon. member for York North now occupies in the government of the day, he appointed a number of

men who were deaf and dumb to positions in the civil service, thereby indicating a sympathy for and a desire to help a class of people who have to pass through life under a great disability. These men can be employed as sorters and stampers, and I believe that on the whole they perform their work satisfactorily and well. These appointments, as I am informed, were made about thirtyfive years ago, and the men who were then appointed are now being superannuated.

I would ask the Postmaster General in give serious consideration to the suggestion I wish to make to him to-night that he endeavour to have more men who are deaf and dumb employed in the Post Office Department of this country. I believe there will be opposition to the suggestion from some quarters, but I would urge the minister to give my request serious consideration. It is quite possible that there may be civil service regulations which would make it difficult to make such appointments, but if that is so, I suggest that the Postmaster General endeavour to have those regulations changed in order that some of these men who have to pass through life under this handicap may be so employed. They have no great organization and no great political influence. They are scattered here and there throughout the country. They want work and find it very difficult to get, and here I suggest is an opportunity to place these men suffering from this handicap in positions where they can be of real service to their country and be in a position to maintain themselves.

Mr. MULOCK: I thank the hon. member for his suggestion. I would point out, however, that conditions in Canada to-day are very different from what they were thirty-five years ago. At that time the ministers had a great deal more power in the matter of making appointments. In fact, the minister appointed practically everyone in his department. I can assure my hon. friend that men of this class are taken on through the civil service commission, and so far as the Post Office Department is concerned we shall be glad to take on as many as we can use in certain positions. But their appointment comes under the civil service commission, and not under the department. However, I can assure the hon. member that there will be no holding back by the department, no endeavouring to avoid taking in such people. We shall be glad to take on a reasonable number so far as we can properly employ them in the service.

Mr. HAZEN: Have any of these men been taken on in recent years, and are there any

regulations of the civil service commission which prevent these men from being appointed to the service?

Mr. MULOCK: In answer to the first question, yes; some have been taken on in recent years. Replying to the second question, I know of nothing, and I have inquired of the officials and they know of nothing in the Civil Service Act to prevent the appointment of these people, but I shall make further inquiries and give the matter consideration.

Mr. HAZEN: How many have been taken on in recent years?

Mr. MULOCK: I am sorry that I have not that information before me.

Mr. GRAYDON: Has consideration been given by the minister and the department to free postage on mail from Canada to the boys overseas? I know the minister is interested in this, and I should like to know what the prospects are.

Mr. MULOCK: As my hon. friend is aware, mail to Canada from the troops overseas, posted in army, navy and air force offices is carried free, but I can hold out no great hope that my hon. friend's suggestion will be carried out because the volume of mail going overseas is tremendous. We have, as a matter of fact, reduced the rate on certain items. While we had a surplus of less than \$1,750,000 a year ago, this year the surplus is nearly \$4,500,000. and all that mail is not being carried at the expense of the troops. We are not making money out of that end of the business. It is a very expensive business to handle. We have reduced certain rates and are trying to get mail between the troops and Canada down to the lowest possible rates. Most of the mail going overseas to-day is for the troops, army, navy and air force.

Mr. GREEN: Is the merchant navy included in that?

Mr. MULOCK: No, it is not. To give the committee an idea, I may say we paid out for space on board ship last year about one and three-quarter million dollars. Before the war most of the space for mail was handled by subsidies by the Department of Trade and Commerce to the steamship lines; the government and the Post Office Department got free space for the mails. Apart from coastwise ship space, which cost from \$325,000 to \$350,000, there was no expense to the Post Office Department as far as space was concerned. Now we have had to absorb that amount in the earnings of the department in order to meet that additional expenditure. Let me give the hon. members some idea of the volume for the fiscal year 1941-42. Mail dispatched from Canada to the Canadian armed forces overseas: letters, 13,690,640, with a weight of 342,266 pounds; news, 32,590 bags, weight 1,682,134 pounds; parcel post, 1,764,784 articles, weight 9,172,895 pounds; tobacco parcels, 1,403,294, weight 3,167,117 pounds; or a total weight of the four items of 14,364,412 pounds.

I can understand the hon. member's interest in helping to get as much mail to our troops as possible. I sympathize with him and agree with his object. But we are faced with the problem of obtaining sufficient space for shipping overseas. No doubt he has read in the press that the British authorities are requesting us to do everything possible to conserve space in shipping, and he probably remembers a short statement I made a few days ago, in response to the hon. member for Peterborough West, as regards space and the weight of parcels and the change which is to be put into effect. If we gave free passage to parcels, I do not believe that the volume of space which we could obtain would be anything like sufficient to accommodate the quantities which would come into our hands. It is not just a question of paying for that space on the ships; that space must be allocated to us by the representative in this country of the British admiralty. We can get only a certain amount of space. To illustrate the problems which our officers have across this country, I might mention that frequently, after ships have been loaded with mail, that mail or a part of it has to be unloaded because it is urgent that something else be sent in its place. I think the hon. member for Peel will realize that if his suggestion were adopted, there would be such a deluge of parcels that it would be humanly impossible to get enough space to take them overseas.

Mr. MARSHALL: I regret that the estimates have been brought in so late in the session that we cannot avail ourselves of full discussion with reference to these matters. I intended to take up quite a little time on the items of the Postmaster General's department, but I will make my remarks as short as possible because I realize that anyone who holds up the work of the house at this particular time will find himself very unpopular.

The post office is a public utility; it is a business venture, and is not and should not be looked upon as entirely a department of government. I was interested in the statement which the Postmaster General made on Saturday, particularly his reference to what he termed the very substantial profit on the year's operations. He stated, as reported in

[Mr. Hazen.]

Hansard, page 4761, that the profits for the year amounted to \$4,492,002, as compared with \$1.683,692 for the previous year. I contend that that is an inaccurate and misleading statement.

Mr. MULOCK: I believe the hon. member has my statement in front of him. If I remember correctly, the expression I used was "net surplus".

Mr. MARSHALL: Yes. The minister is correct. If we turn to page 9 of the Postmaster General's report for the year ended March 31, 1941, we shall find there a statement of the revenue and the expenditure, the deficit or the surplus for each year since confederation. I want to go back to the year 1936, because the question which I am now raising was raised for the first time, to my knowledge at least, in that year. The profit or surplus on that occasion was \$2,407,786.89; yet the Postmaster General, the late Hon. J. C. Elliott, said on that occasion that the department was facing a heavy deficit when one took into account the rental of the buildings at fair prices. When he was further questioned with respect to this matter he confessed that the way in which the department kept the records was a most unusual way of keeping accounts. Since 1936 the auditor general and the Postmaster General have urged strongly that a new system of accounting should be adopted in order that the report should reflect the true facts. So far as I am aware this has not been done. For example, the receipts do not show that the franking privileges in 1941 amounted to \$1,700,000. Further, there is no credit for the postmasters acting as agents for government annuities, or for the collection of radio licences, or for the sale of war savings stamps and war savings certificates.

On the expenditure side we have no account at all of the cost of the buildings erected, which are used to-day as post offices. We have no record of the caretaking expenses, no record of the repairs and the heating or equipment. That is generally conceded. The time has come when we should adopt a better system in the Post Office Department. I think we are entitled to a more businesslike and satisfactory statement than we have been getting from year to year. Anyone who reads the auditor general's report from page 267 to page 284 for the last year will see how urgent the need is for a complete overhauling of the whole bookkeeping structure of the department. I do not intend to say anything further at this time seeing that we are nearing the end of the session, but I would ask the minister this question. Would he care to make any

Supply-Post Office

comment on this matter, and is he prepared to bring about the changes which have been recommended by the auditor general and by previous Postmasters General? These changes are long overdue.

Mr. MULOCK: The hon. member asked a question about allowances. He says that we do not charge certain rentals for buildings which we occupy or in some cases partly occupy. I could give him a good many figures. Take the net surplus of \$4,492,002.79, and the first credit that the department should receive, according to the officials, is a credit in respect of postage value of the franking privilege at dominion government departments at Ottawa, \$2,409,985.41. The next is postage value of franking provincial government documents, ballot boxes, customs notices of manifests, books for the blind, diplomatic and consular mail, notices under the National Resources Mobilization Act posted elsewhere than in Ottawa, \$83,693.67. The next item is estimated expenses operating the post office savings bank, \$80,000; next the estimated cost of free conveyance of newspapers in the forty-mile area, \$30,000. This makes a total of \$7.095.681.87. There are to be deducted certain items, such as rental value, post office space in government owned and rented buildings, space occupied by the post office department-because the post office department does not occupy the whole space in buildings that have the name "post office" over the front of them-\$3,205,000. There is a net surplus, after adjustments of \$3,890,681.87. With regard to the second question as to whether I would agree to adopt the suggestions that have been put forward, is the hon. member referring to the suggestion that these amounts that come in should not be paid out to the postmasters in different parts?

Mr. MARSHALL: I am not suggesting any such thing. I am simply suggesting that the Post Office Department as a business organization should submit to parliament from year to year a proper financial statement similar to that which has been submitted to us, say, by the Canadian National Railways, or some other institution of a similar nature. That has not been done, and I cannot find any record of such a thing in the auditor general's report or in the report of the Postmaster General himself. It has been recommended by the auditor general, from year to year, and I do not understand why these recommendations are not carried into effect.

Mr. BLAIR: Can the minister give a report of what the department has made each year for the last three years?

Mr. MULOCK: On the basis of net surpluses, the amounts are, for the fiscal year 1940. \$3.235.19; 1941, \$1,683,692.69; 1942, \$4,492,002.79.

Mr. NEILL: Is it quite fair for the Postmaster General to allow the impression to go out to the country that these are surpluses when we are aware, or ought to be, that there is a large amount of expenses which are not mentioned? It comes under another department, the public works department.

Mr. MULOCK: I do not know whether the hon. member was here a few moments ago when I dealt with the question of additions and deductions for this year in connection with rents and allowances for franking. A statement was put on the record about ten minutes ago.

Mr. NEILL: I am not talking about allowances, but about the cost of running the post office. The public works department builds the post offices and maintains them, and you cannot say that the post office is run at a profit when you leave out one of the biggest items of expenditure in connection with it. I am not saying that it is not run properly. I think it is run wonderfully, but it is not wise to tell the people that we are making a revenue of over \$1,000,000, of profit, from running the post office, when we purely and simply are not. There is something else that is grossly misleading, and that is the fact that we buy stamps and put them on cheques. That is a tax, and is not a part of the cost of delivering letters, so that it ought to be taken off the alleged profits, if you are to present the picture in its true light. I do not expect the Post Office Department to be run at a profit, because it gives service in out-of-the-way places at an enormous loss, comparatively speaking. All I say is that when the minister makes a statement of this kind he should point out that the profit has relation to certain expenses but is not an absolute profit.

Mr. MARSHALL: The hon. member for Comox-Alberni is quite correct. Rentals are not taken into consideration. Caretaking in many buildings is, I understand, done by the Department of Public Works, and so are repairs. I know that in some of the leading post offices in the country the equipment and heating are all taken care of by the Department of Public Works, and those things are not taken into account when the departmental officials figure out the surplus. I contend that that surplus is not correct.

Mr. ROEBUCK: I wish to call the attention of the Postmaster General to a condition [Mr. Blair.] in Toronto which I imagine is duplicated in many other places. That is with regard to the large number of men on the temporary list who undoubtedly ought to be on the permanent list. I have in my hand a circular letter signed by no less than forty-five postal employees in Toronto, protesting against being kept as temporary employees since 1936.

Mr. MacNICOL: That does not come under this item.

Mr. ROEBUCK: Why not? It is administration.

Mr. MULOCK: If we could get this first item passed, this matter could be discussed under "post offices," the next item, because I should like to have the official in charge of post offices here when that matter is discussed.

Mr. LOCKHART: Strictly under administration may I ask the minister when the system of selling stamps by vending machines was introduced and how long the act had been in effect before that change was made?

Mr. MULOCK: I am unable personally to give that information, but the officials advise me that they can remember back to 1922 or 1923 at about which time the stamp-vending machines were started.

Mr. LOCKHART: Was the act not changed about 1936? I have a clear recollection of certain supposed slug machines being brought into this country about that time which were converted into stamp-vending machines, selling four two-cent stamps for 10 cents and three three-cent stamps for 10 cents. I wondered why the change.

Mr. MULOCK: The officials advise me that they were not continued because they were not satisfactory.

Mr. LOCKHART: Are they not still in operation?

Mr. MULOCK: The officials advise me that improvements have been made since the original machines. There are some, not a great many. It was found that climatic conditions interfered with their proper operation. They have been trying to overcome that difficulty. I understand such machines are all used in private stores, not in the post offices.

Mr. LOCKHART: Not long ago I happened to be in a so-called private store, but it is a public store at that, and stamps are sold as I have indicated, four two-cent stamps or three three's for 10 cents. Was that change not made within the last few years? I want to know why because I always understood it was the established policy that stamps were to be sold for their face value. Mr. MULOCK: I shall be glad to make inquiry into that matter. I see the point. Of course those stamps in the first place would be sold by the department at face value.

Mr. LOCKHART: They are prepared in special rolls, and cannot be used except as so prepared, and sold to these vendors. The stores are giving the impression that government men are coming round and supervising them. Is this being done by some commercial group, or is it being done by the government and is the government reaping the benefit?

Mr. MULOCK: The hon. member does not mean the postal meter machines?

Mr. LOCKHART: No.

Mr. MULOCK: I shall endeavour to have an investigation made and let the hon. member know.

Mr. LOCKHART: These stores I have in mind said that government men had come in and arranged for the sale of these stamps in rolls or packages. The reason why I raise the question is that I want to know whether some private individuals are making a profit out of postage stamps or whether stamps are to be sold at their face value, according to the act as I understand it. I want to know whether certain individuals, incorporated as a stamp-vending machine company—I will come out plainly with the situation as I know it are organized and selling stamps at a profit at the expense of the public.

Mr. MULOCK: My officials advise me that they have no information on the matter, but I will have investigation made immediately.

Mr. LOCKHART: For the benefit of the officials let me say that if they will go to the refectory building at Niagara Falls they will see there these stamp-vending machines in operation. If they will follow through they will find a very interesting story about the organization of the company and the profits that are being reaped by certain individuals, and the whole story that lies behind it. The public is paying the price.

Mr. CHURCH: I wish to support the statement of my colleague, the hon. member for Lincoln. The post office is supposed to be a public utility operating from the commercial aspect at cost. There is another practice as bad as this one. In a large city like Toronto where they collect \$8,444,000, nearly one-third of all the post office revenue of the country from stamps, they let a contract to a collector who gets a fleet of motorcars and collects the mail from the boxes, three times

Supply-Post Office

a day it used to be, twice a day, once a day. As soon as there is a change of government the system is all changed, and a new man gets the contract. If this is a public utility it should be operated like a privately-owned public utility, a light and power company or a telephone company, but at cost. It should have its own cars and motor trucks and equipment, including its own appliances for stamp vending to which my hon. friend has referred. I think some changes could be made, because the department is making a large amount of money out of the city of Toronto. It made \$1,500,000 last year, and it has made more this year, because receipts have gone up. I believe there has been an increase of \$750,000 since last year.

What is the minister's policy with regard to a small number of employees who may take a dollar or fifty cents out of a letter? Prosecutions have been laid since 1896 under section 363 of the criminal code, with respect to judicial or official documents, section 364 which deals with post letters, section 365 which provides the penalty and section 366 which has reference to the theft of mailable matter. When one considers that nearly \$8,500,000 is collected in a year in Toronto, it is a fine record that only a very small sum is lost. It is not proper to send a poor man to prison for three years for having stolen a very small sum of money. That man may have gone through the depression and two war-'time periods. That is not the sort of thing a public utility should do.

I know about labour conditions in the Toronto post office. Last year I received over one hundred letters containing complaints from employees about hours of labour and conditions. They had a further complaint with respect to leave. They work hard for their pay, and they require holidays. I believe the minister has been looking into this matter, and he may be in a position to indicate some change. An eight-hour day should be mandatory.

When I was chairman of the board of police commissioners in Toronto, a magistrate spoke to me about this matter of prosecutions under the criminal code. He pointed out that he thought it was too bad that a man with a small family of two or three children should, by decoy letter detection, be sent to gaol for three years for the theft of a very small sum of money. Some of the men prosecuted have been returned soldiers, old employees.

The predecessor of the present Minister of Justice was very sympathetic with regard to some of these cases, but his hands were tied because the report of the magistrate had to be considered. I suggest that public utilities

Supply-Post Office

should treat their employees even better than private utilities. Let me point out that private utilities are doing wonderful work for their employees in the way of pay, pensions and holidays. That has been the condition in the city of Montreal, I believe, and it certainly has been in the city of Toronto. Surely the Post Office Department should set an example as a pioneer public utility. Let us look at what is being done by many of the heat, light and power and gas companies for their employees. It is simply magnificent. They are up to date with pensions, sick pay and new allowances.

The time is coming when there should be a shake-up in labour conditions in the Post Office Department, and when they should use labour much better than they are using it. What is going to be the position with respect to mail delivery in the coming winter? There will be a shortage of rubber and oil, and I am wondering what facilities will be accorded people in residential sections for a better mail delivery. I have received complaints from two or three constituencies in Toronto stating that they do not receive their mail for two or three days after the date of mailing. Most of those complaints have been received during the winter time. I would ask the minister to look into such complaints.

Certainly there should be some change in this procedure of sending a man to gaol for three years for a trivial offence. Possibly the offence is not trivial in practice in a utility like the post office, but the sum involved certainly is, when one considers the work done by an employee. In my opinion the penalty should be materially reduced. I know of other cases which come up in the law courts where the penalties are much lighter for thefts of greater sums of money. I ask for fair treatment for the rank and file of the men in the department, and some change should be made with respect to these sections in the criminal code.

Mr. ROEBUCK: Since we are on the subject of employees, may I continue the discussion?

Mr. CHURCH: I should like to have an answer to the questions I have raised, if the hon. member has no objection.

Mr. ROEBUCK: I have no objection, but I am talking about the same matter, namely the conditions in the Post Office Department with regard to the staff, which I think should be considered by the committee, and which I wish to bring forcibly to the attention of the minister.

[Mr. Church.]

The CHAIRMAN: I would suggest that items 243 and 244 be taken together, because the discussion has covered both items.

Mr. ROEBUCK: I took my seat with the idea that we were going to pass item 244, and that I could proceed immediately.

The CHAIRMAN: Is it the pleasure of the committee that the two items be taken together?

. Some hon. MEMBERS: Yes.

Mr. MULOCK: The hon. member for Saskatoon City was kind enough to agree to allow us to deal with item 243 first, and said he would wait until we reached item 244 to discuss the matter he had in mind. If we were to proceed otherwise, I doubt whether it would be quite fair to the hon. member.

Mr. ROEBUCK: With your permission, Mr. Chairman, I shall finish this statement.

The CHAIRMAN: I am not free to give leave or permission; I am bound by the rules of the house. I must confess, however, that the remarks of the hon. member for Broadview were more directed to item 244 than to item 243. My difficulty is to draw the line between the two items, and I am suggesting that they be taken together.

Mr. ROEBUCK: I am referring to a condition in the Toronto post office where no less than forty-five men who signed the document have been kept on the non-permanent or the temporary list since 1936. These gentlemen say:

We were successful candidates at a competitive examination for letter carriers and mail porters in 1936.

The circular announcing this examination intimated that successful candidates would serve a probationary period of six months; then, on appointment, would receive an annual increment of \$120 until a maximum of \$1,500 was reached.

Not one of us entertained the idea that four or five years hence we would still be bringing our wives and families the same yearly wage of approximately \$960, with no status or assurance of permanent employment. That is the position we present to you.

Then the letter goes on to state certain orders in council which have been passed. I need not read them into the record.

Mr. MacNICOL: Does it not come to \$1,020 or \$19.50 a week?

Mr. ROEBUCK: I have simply read the document they placed in my hands. The

4898

post office officials will know accurately what they get. It is a very small salary, anyway. Then they go on to say:

This was very disappointing, but, worse still, recent information places the permanent quota at Toronto closer to 75 per cent than to 90 per cent.

On inquiry we find that again the treasury board is the stumbling block; why? We know not. Their action may be actuated by an economic point of view, but why prey on a few faithful servants?

We respectfully suggest to you there is something amiss when the treasury board can apparently veto an order in council.

Our present Postmaster General said, on December 3, 1941, to Mr. Tom Moore of the Trades and Labour Congress, "that our request was reasonable and if there was no favourable action soon he would take the matter up personally with the Prime Minister."

Here are forty-five men who have been on the non-permanent list, who are denied the benefits of superannuation and who are denied the benefits of increases in wages. They have no assurance that they will not have to stay on that list for the rest of their lives. It is not businesslike; it is not fair; it is not humane. I know many of these men. Some of them are married with families, and the condition I have described is one which should be remedied.

Mr. MacNICOL: Many of these men have come to see me at my home, and I have received letters from others. They passed the postal examination, and from what they were told they inferred that in due course they would be taken on permanently. They are not receiving the annual increase of \$120 which would increase their salary to \$1,500. The information they gave me is that they are now getting \$19.50 a week or about \$1,020 a year, which is too small for a man who has to live in a city and take care of his wife and family as he should. I strongly endorse the sentiments just expressed by the hon. member and I urge the Postmaster General to give these men fair play. They have been on probation long enough, and it is time they were put on the permanent list and paid the regular permanent staff pay.

Mr. MULOCK: I agree with the hon. member for Trinity (Mr. Roebuck) and the hon. member for Davenport (Mr. MacNicol). As the hon. member for Trinity has made quite clear, it is not a case of my not being sympathetic. The hon. member for Davenport knows that this is not a matter that can be dealt with by the Postmaster General. I can make a recommendation to the treasury board as to what I think should be done, and I have done so in this case. In fact I recommended that the 90 per cent limit should be removed. That is the way it stands at the moment.

Mr. JACKMAN: Does that rule apply to other departments as well as to the Post Office Department?

Mr. MULOCK: Yes, and that is one of the difficulties. If they gave way in this case it might look as though there was discrimination in favour of the Post Office Department as against the other departments. That is probably one of the things which has given the treasury board some difficulty. This matter has been under consideration for a considerable length of time.

The hon. member for Broadview (Mr. Church) dealt with the question of a 1-cent rate on drop letters in Toronto. The same thing applies in this case as applied in the suggestion of the hon. member for Peel (Mr. Graydon). I do not think there is any chance of getting reduced postage during this time of war, and I cannot see any great reason why we should do so. The hon. member suggests that it should be given to Toronto, but I must tell him that a special rate cannot be given to one city. We are legislating for the Dominion of Canada; the post office is a dominion service, and all cities must be treated in the same manner. The fact that there is that large surplus will not make it possible.

The hon. member also referred to the cutting down of the number of deliveries in residential districts. It is not so much a question of saving dollars as it is a question of saving man-power. We have tried to obtain a sufficient number of women employees to make this service possible, but women simply cannot do the work; it is too heavy. They have been tried out at three different places, and it was found that they could not carry on. I do not honestly think it is a tremendous sacrifice to ask people to make in order to conserve man-power. The residential districts should not object to receiving only one delivery a day when many rural districts receive only two or three deliveries a week.

Mr. ROSS (Moose Jaw): Many receive none at all.

Mr. MULOCK: As the hon. member says, there are many districts where the mails are delivered to the post offices and the people must call there. There is nothing unreasonable about this. We are trying to maintain the fullest possible service for the business districts and those districts turning out war materials, and it may be necessary to cut

Supply-Post Office

down the service in what might be termed the non-essential districts. The man-power situation is bound to get more serious. We realize that, and we are making plans accordingly. Certain routes have been rearranged so that three men are now doing the work formerly done by four. We just cannot get a sufficient number of employees in certain districts in order to carry on. I am glad the hon. member brought the matter up so that I could make it clear.

Mr. MARTIN: A few moments ago the hon. member for Vancouver South (Mr. Green) asked the minister if the recent changes in the rates of postage and the other facilities provided for the armed services could be extended to the men of the merchant navy, and the minister replied in the negative. I am going to urge as strongly as I can that the men in our merchant navy be placed in exactly the same position as the men in the armed forces as far as the facilities of our postal services are concerned. I have before me an excerpt taken from a letter which appeared in the Windsor Daily Star, which letter purports to come from a woman in west Vancouver. Her words speak more eloquently and more effectively than anything I can say. She says:

My son has been in the merchant navy ever since war broke out. He was 15 at that time. His ship has been bombed and they've carried vital supplies and troops to all parts of the empire, through all the most dangerous routes. The other day I sent him one of the new air mail letters the government has put out to send to soldiers and sailors. Mine has been returned by some official, marked "Not transmittable to civilians." I've sent on this information to my son so that he and all the other brave boys on his ship will know how much Canada thinks of her merchant navy boys."

Here is a boy whose ship was bombed. He belongs to a service which has given many lives. They are fighting for the same cause. Surely they should be included in the provisions the minister has made.

Mr. CHURCH: Will the minister let me know if decoy letters are used in connection with the prosecutions to which I referred? Decoy letters are not considered as postal letters. I think there was an amendment to the statute under I George VI by which a decoy letter was said to be a letter under the postal act. In my opinion that is a most reprehensible practice of detection and prosecution. I am going to ask the minister to confer with the Minister of Justice and see if there cannot be some amelioration of these three-year sentences.

[Mr. Mulock.]

Mr. MULOCK: I shall be glad to give the suggestion of the hon. member for Broadview consideration and discuss the whole matter with the Minister of Justice.

Mr. MARTIN: Is the minister in a position to tell the committee what he thinks should be done in respect of men serving in the merchant navy?

Mr. MULOCK: The hon. member for Essex East will realize the difficulty. When you have your armed service, whether it is the army, the navy or the air force, you have your post office for your men in the same place where the men are. But the men of the merchant marine may be in any part of the world, and we could not give them free postage from any country. We do not know where they will be and we do not have arrangements with every country.

Mr. MARTIN: You know their addresses.

Mr. MULOCK: Sending letters from Canada to the men of the merchant marine is a different matter. I thought the hon. member was asking whether we could not give the members of the merchant marine the right to free mail to Canada as our troops have.

So far as the special letter is concerned, it is available to the armed services now, but has not been made available to civilians. We are hoping however to make it available. I shall go into the matter of the merchant marine as soon as the session is over and I have an opportunity to take the matter up with my officials.

Mr. MARSHALL: I take exception to the minister continually referring to a surplus of \$4,000,000 in the Post Office Department. I also regret that he has not answered my question. On the question of surplus I read from the auditor general's report for the year ended March 31, 1941, at page 267. The auditor general, in commenting on the surplus on operations, has this to say:

According to the departmental and treasury records, the operations of the department during the fiscal year 1940-41, resulting in a surplus of \$1,700,718.87, consisting of revenues amounting to \$40,400,392.63, deposited to the credit of the consolidated revenue fund, less statutory and appropriation expenditures of \$38,699,673.76.

Here is the significant sentence:

This, however, is only an approximate statement of the results of operations because (i) with few minor exceptions, account is not taken of the revenues and expenditures representing the value of work done and accommodation supplied by the Post Office Department for other departments, without payment, and vice versa, and (ii) the revenue improperly include

Supply-Post Office

the value of lapsed money orders and postal notes, and excise taxes, derived from the sale of postal stamps, et cetera, for use in respect of imposts under the Special War Revenue Act.

The question I ask is, why is the suggestion of the auditor general not acceded to, and why have we not a proper balance sheet for the post office?

Mr. MULOCK: I understand that the financial administration of the Post Office Department has been quite satisfactory to the treasury. I can quite understand the hon. member's suggestion regarding the statement of the auditor general. We could get out some statement, but it would be only an approximation. We are making an approxi-mate valuation, for instance, of the amount of space occupied in public buildings, but it is only an approximation. We could not give the exact amount for rent; I do not think any of my officials can certify any amount to me as being correct, but they feel that a fair value is set down in this item of \$3,205,000. This question has been brought up at almost every session since 1936, when Mr. Heaps, then member for Winnipeg North, raised it. I shall be glad to give the matter consideration.

Mr. MARSHALL: Nothing has been done about it since?

Mr. MULOCK: I would not say that. We are trying to get around to these things. We have more items this year than last. We have been able to figure out an amount for the privilege of franking, for example, and the operating expenses of the post office savings bank, but there are other services which the department renders the value of which it is very difficult to estimate in dollars and cents. These services save other departments a lot of expense. You might go on the basis of the value of these services to other departments, or what they would have to pay for equivalent service if they went outside to get it; or you might estimate what it actually costs the Post Office Department. I shall be glad to discuss this matter with the hon. member and get his ideas upon it. I can understand his desire to have a full, detailed statement of a public utility, showing all its operating expenses. If the franking privilege is valued at nearly two and a half million dollars, we should get credit for it. If we take another building, our rent goes up. Those are just illustrations. I can see no objection at all to giving the working position of the post office from year to year.

Mr. MARSHALL: The objection I take to showing a surplus of over four million dollars 44561-309 is that it is misleading. I do not know whether other hon. members are approached as I am by rural mail carriers who will say: If the post office is making a profit of over four million dollars, some of that money should be distributed amongst those who are getting a very small wage for the work they do in carrying mail. That is why I take exception to showing a figure which is misleading.

Mr. BENCE: On Saturday evening I made some fairly lengthy remarks on the two items with which we are now dealing, and particularly with respect to the appointment of postmasters. I do not propose to reiterate all that I said then, because I think I made my point very clear, that in my opinion, and I would advance that opinion as seriously as I can, we should eliminate political patronage in the appointment of postmasters, in fact, in the appointment of anybody to any department.

I dealt specifically with the appointment of the postmaster at Bruno. I do not know this man personally myself, but very strong representations were made to me and, I have no doubt, to the Postmaster General and other members of parliament in connection with this matter by three veterans' associations. the Army and Navy, the Canadian Legion and the Canadian Corps, which were represented at one time by a joint council. I have also received representations from an organization known as the Saskatchewan Civil Security Corps, a body which is well known to this house.

The correspondence which I read into the record on Saturday evening, July 25, fully sets out the position as far as I am concerned, and I do not propose to read it into the record again. But I should say this, that I took the matter up with the Postmaster General on the basis that if he would assure me, or these people who were making the representations to me or himself, regarding the particular individual who had received this appointment but who at that time had not been put into actual occupancy of the post office, that the police reports in connection with him were entirely favourable, as far as I was concerned I would have nothing further to do with the case. I read various letters into the record the other day, and there are one or two others I wish to refer to now, including a letter of the Minister of Justice written to the Postmaster General. But first of all I should like to read a letter which was written to the Postmaster General by the secretary of the war veterans' joint council It is dated at Saskatoon, April 10, 1941, and is as follows:

W. P. Mulock, Esq., Postmaster General, Ottawa, Canada.

Re: Postmastership at Bruno, Sask. Dear Sir:

We understand that a decision is to be made shortly regarding the appointment of W. F. Hargarten to the postmastership at Bruno, Sask.

The veterans' organization of this district have repeatedly asked you to confirm or deny that the R.C.M.P. reports on Hargarten are unfavourable.

They feel sure that the reports of the R.C.M.P. officers in the field are not favourable to this man and that he is not a fit person to hold a public office at this time.

They request that Hargarten do not receive this appointment under any circumstances. A reply by return mail is requested.

On January 15, 1942, a letter—the one referred to by me a few minutes ago—was written to the Postmaster General by the Minister of Justice, as follows:

Office of the Minister of Justice, Canada Ottawa, January 15, 1942.

The Hon. W. P. Mulock, K.C., Postmaster General,

Ottawa.

My dear Colleague:

With reference to your telephone inquiry of the 14th instant, respecting William F. Hargarten, postmaster at Bruno, Sask., I may say that the Royal Canadian Mounted Police advise that no concrete evidence has been adduced which would show that Hargarten's sympathies or leanings are disloyal to the British empire.

Subsequently to that, as appears by the return—and these letters which I am quoting are taken from a return made to this house on the 27th of March, 1942, sessional paper 196—a telegram was dispatched by the secretary of the Canadian Legion to the Postmaster General as follows:

> Saskaton, Sask., March 6, 1942.

Hon. W. P. Mulock, Postmaster General, Ottawa, Ontario.

Canadian Legion vigorously protests appointment Hargarten postmaster Bruno. We have had no reply our wires last May if R.C.M.P. reports favourable.

This telegram is signed by the secretary of the Canadian Legion.

In view of the controversy which has arisen in connection with this man's appointment and the suspicion which has been aroused, it seems to me that this is one case in which the Postmaster General would be very well

[Mr. Bence.]

advised to bring before the committee and table the reports of the Royal Canadian Mounted Police officers in connection with that investigation-particularly the field reports. I say that because if that were done we should have a complete and accurate picture before us of the whole situation and there would be full justice to everyone. I have no axe to grind in this matter. As I say, I do not know this man. These representations were made to me. The Postmaster General, in writing me a letter, was kind enough to accede to my request that he would produce the file for my perusal, but at the same time he told me that there were certain parts of it which were very secret and would have to be given to me in the utmost confidence. Under these circumstances it was impossible for me to scrutinize the file, because, as I told him in my letter which I read into the record the other day, of there were any suggestion that this man had nazi sympathies I would be in an impossible position and I felt I could not keep it to myself.

The Postmaster General would not be creating a precedent if he did bring down these field reports, because I have in my hand sessional paper 348, which had to do with a return made to this house on July 3 on a motion of the hon. member for Mackenzie with respect to rural mail routes at Spalding, Saskatchewan, and in which is contained a copy of the R.C.M.P. reports. As far as I can tell, it is a copy of the field reports, and it was enclosed in a letter to the district superintendent of postal services at Saskatoon by the superintendent of the R.C.M.P., criminal investigation branch, at Regina.

Mr. MULOCK: I may tell the hon. member that in my opinion that should not have been included. I believe that is a case where the tenderer was not a British subject.

Mr. BENCE: That is a case where one man was an American, and the question was whether or not he had participated in subversive activities. The file and the police report clearly showed that there were absolutely no grounds for the suggestion, and I suggest that if the same thing could be shown in this case, this matter could be very quickly and easily cleared up.

There are two questions in this particular connection which I should like to ask the Postmaster General. What are the regulations with respect to the matter of age in the appointment of postmasters at the present time; what were these regulations in December, 1940? If there were any regulations which

JULY 28, 1942

restricted appointments to men of sixty years or under, what was the age of this man at the time he received the appointment, in December, 1940? I should also like to receive a comment from the Postmaster General on the first question that I raised, namely, the question of the continuation of political patronage, and whether or not in this particular case, in view of the recommendations which were made by the district superintendent at Saskatoon, that another man should receive the appointment as a well-merited promotion, it would not have been better in the interests of all concerned and of the country generally to make the appointment as suggested by the district superintendent of postal services at Saskatoon.

Mr. MULOCK: The hon. member for Saskatoon City says that he takes the greatest exception to the manner in which appointments of postmasters are made in certain cases where post offices bring in a revenue of under \$3,000 a year. At one time these post offices were under the civil service commission, but during the term of a former government, in fact in 1932, a committee of this house dealt with the matter. Hon. J. Earl Lawson was the chairman of that committee which made the following recommendation:

From the evidence adduced and in view of the submissions of officials of the Post Office Department, your committee recommends that order in council P.C. 1053, dated June 29, 1922, as amended by order in council P.C. 17/1751—

They even passed orders in council in those days.

-dated September 12, 1929, be further amended so as to provide for the exemption from the operation of the Civil Service Act of postmasters in revenue post offices where the revenue does not exceed \$3,000 per annum.

Your committee further recommends that such amendments be made to the Civil Service Act and/or the regulations thereunder of the civil service commission so that postmasters hereafter appointed to revenue post offices having a revenue in excess of \$3,000 per annum shall be within the full operation of the Civil Service Act.

I am not finding fault with the findings of that committee. I think they took the right action. In my opinion there would be a great deal of travelling expense and waste if civil service commission officials ran all over the country to small post offices throughout the rural districts and therefore I am not criticizing that report in any way. I repeat, I think they took the right action. I am pointing out to my hon. friend, however, that it was not the government of to-day that made that regulation—

Mr. BENCE: I knew that. 44561-3091

Supply-Post Office

Mr. MULOCK: —and the appointment to-day is made on the responsibility of the Postmaster General and not of an official in Saskatoon or even of an hon. member who may recommend him. The responsibility for an appointment is that of the Postmaster General.

Mr. BROOKS: Where do you get your recommendation? That is the point.

Mr. MULOCK: I get it, not from the same place but in the same way as the hon. Mr. Sauve obtained his recommendations when your party was in power.

Mr. BROOKS: I do not agree with that altogether because I know absolutely differently as far as my own post office in New Brunswick is concerned. They are political appointments; that is the objection to them.

Mr. MULOCK: I should like to finish what I have to say. The hon. member cam speak afterwards. The second objection of the hon. member for Saskatoon City appears to be that there was political patronage; that this was the governing factor in connection with temporary employees appointed at Christmas at Saskatoon.

Mr. BENCE: I said Saskatoon, but I understand that the practice is general.

Mr. MULOCK: The hon. gentleman was dealing with Saskatoon. My officials advise me that the facts with regard to Saskatoon are considerably different from those stated on Saturday night by the hon. member. I have here a report addressed to the chief superintendent of post office service from the postmaster at Saskatoon, giving a breakdown of all appointments made in Saskatoon post office during the last Christmas rush. When forwarding that statement the postmaster sent the following letter: Sir:

Re Attached

Referring to the attached form, one list only, that submitted by the Canadian Legion was received. I was advised by Mr. Carl Niderost, K.C., to engage persons considered most suitable for the work by this office. Therefore, with the exception of those whose names appear on the list from the Canadian Legion, selections were made from persons applying at my office for employment.

I am, sir, your obedient servant.

C. W. Heisler, Postmaster.

I understand the high motives which inspired the hon. member to make the statements he did with regard to these appointments. May I refer him to a letter of February 24, 1941—

Mr. BENCE: Written by myself.

Mr. MULOCK: Yes. I quote:

Dear Mr. Mulock:

I have been advised by Conservative members of parliament from Toronto that they were given the privilege of nominating a certain number for temporary positions in the post office department for the Christmas rush, but no suggestion was ever made to me that I had a similar privilege. I should be very glad if you would advise me as to my position in this matter.

Yours truly,

A. H. Bence, M.P. for Saskatoon City.

Mr. BENCE: That is fair enough, is it not?

Mr. MULOCK: Certainly it was fair. I replied on March 8 advising him—he has the letter—that I had received the letter. He had referred to Conservative members of parliament in Toronto who were given the privilege of submitting a certain number of names for temporary positions. I went on to say:

. . . but that you yourself were not approached in this regard as far as Saskatoon was concerned.

The situation at Toronto and Saskatoon, as far as the Christmas rush are concerned, were not in any way comparable. Of course, as far as both Toronto and Saskatoon were concerned in general, the department depended upon existing civil service and post office lists and the returned soldiers' preference as applied through the returned soldiers' organizations for the temporary Christmas help required.

In Toronto, however, the large number of men needed made a much larger organization necessary for their procurement than was in the case in Saskatoon city, where only 70 men all told were taken on.

In Saskatoon, all men given employment, with the exception of three, were secured through application to the Postmaster and included twenty-seven returned soldiers.

Yours faithfully,

W. P. Mulock.

In Toronto, I may tell the hon. member, there were 3,660 taken on at Chrstmas and the situation is considerably different. I understand, Mr. Chairman, that it is necessary to get some financial resolutions dealt with, and I am afraid I shall have to let the third complaint stand for the moment.

Progress reported.

EXCESS PROFITS TAX ACT

Hon. J. L. ILSLEY (Minister of Finance): I would ask, Mr. Speaker, that the house go into committee of the whole on the Excess Profits Tax Act. It is in committee of the whole now and we have reached the second section. The bill was printed before I had an opportunity of examining it with any care, and on consideration I find it necessary to

[Mr. Bence.]

make so many amendments to the bill that it would be much simpler and much more convenient for all members of the house, particularly the opposition, to withdraw the bill and have another bill printed. The procedure, I am advised, is for the committee of the whole to resume where it left off, and then I shall move that the committee rise and report progress and ask leave to sit again. When the Speaker is in the chair, after that motion is passed, I shall ask the unanimous consent of the house to withdraw the bill. and then I shall reintroduce a bill, have it given its first reading to-night, and have it distributed in the morning so that we shall be in a position to discuss it on second reading.

I wish to take substantially the same procedure with regard to the Dominion Succession Duty Act. That is not at the same stage. It has not received its second reading, and therefore the motion for second reading can be called to-night after we dispose of the Excess Profits Tax bill in the way I have mentioned. I will then ask leave to withdraw the motion for second reading and to introduce a new bill, and the new bill will be reprinted and circulated in the morning so that we can go on with that in the most convenient way to deal with these bills.

An hon. MEMBER: First thing in the morning?

Mr. ILSLEY: Yes.

The house resumed from Friday, July 24, 1942, consideration in committee of Bill No. 113, to amend the Excess Profits Tax Act, 1940—Mr. Ilsley—Mr. Vien in the chair.

Progress reported.

Hon. J. L. ILSLEY: (Minister of Finance): I would request that by unanimous consent of the house I be allowed to withdraw the bill and introduce another.

Mr. DEPUTY SPEAKER: Is it the pleasure of the house that the hon. Minister of Finance shall have leave to withdraw the bill?

Some hon. MEMBERS: Carried.

Bill withdrawn.

Mr. ILSLEY moved for leave to introduce Bill No. 122, to amend the Excess Profits Tax Act, 1940.

He said: This bill is based on the resolution relating to excess profits.

Motion agreed to and bill read the first time.

Questions

DOMINION SUCCESSION DUTY ACT

On the order:

Second reading of Bill No. 112, to amend the Dominion Succession Duty Act.—The Minister of Finance.

Hon. J. L. ILSLEY (Minister of Finance): I move, with the unanimous consent of the house, for leave to withdraw the motion for second reading of this bill.

Motion agreed to and bill withdrawn.

Mr. ILSLEY moved for leave to introduce Bill No. 123, to amend the Dominion Succession Duty Act.

He said: This bill is based on the resolution relating to the Dominon Succession Duty Act.

Motion agreed to and bill read the first time.

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

Wednesday, July 29, 1942

The house met at eleven o'clock.

REPORTS OF COMMITTEES

PRIVATE BILLS

Fifth report of standing committee on miscellaneous private bills.—Mr. Donnelly.

RAILWAYS AND SHIPPING

Mr. J. P. HOWDEN (St. Boniface) moved:

That the third report of the standing committee on railways and shipping owned, operated and controlled by the government, presented to the house on June 2, be now concurred in.

Motion agreed to.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CIVIL SERVICE COMMISSION-EDWIN ELI SPENCER, K.C.

Mr. SOPER:

1. Is Edwin Eli Spencer, K.C., an examining officer in the civil service commission?

2. If so, when was he appointed, on whose recommendation, and what is his salary?

3. What was his occupation prior to the civil service appointment, and how long did he serve in such capacity?

4. What was his previous civilian occupation?

Mr. McLARTY:

1. Yes.

2. He was appointed on January 26, 1942, at a salary of \$3,120 per annum. When it became necessary to secure an examiner having certain qualifications, such as legal training and experience in connection with current and post-war problems of rehabilitation, the Department of National Defence was approached by the commission with a view to securing the services of Captain Spencer, a veteran of the great war, who was a staff officer with the Canadian army overseas.

3. He served as staff captain, auxiliary services, M.D. No. 10, Winnipeg, December 5. 1939 to June 7, 1940, whence he proceeded overseas with a similar appointment at headquarters, 2nd Canadian Division, arriving in England June 21, 1940, and was attached to headquarters. 1st Canadian Division, to July 5, 1940. He was posted to the same duties with headquarters Canadian forces in Iceland arriving there July 12, 1940, and served on that command to October 31, 1940. From September 23 to October 31, 1940, he served as Staff Captain, Q., under Major-General L. F. Page, D.S.O., in Iceland. His duties as Staff Captain, Auxiliary Services, headquarters 2nd Canadian Division, were resumed November 3, 1940, where he continued until his recall from overseas by National Defence Headquarters to the appointment he now holds.

4. Barrister and solicitor.

DIRECTOR OF RATIONING, PROVINCE OF QUEBEC

Mr. GINGUES:

1. Has Mr. Jean Péloquin, director of rationing for the province of Quebec, resigned from his position?

2. If so, for what reasons?

3. What was the previous position of Mr. S. D. Millen in this office and what is his present position?

4. What was the previous position of Mr. O. W. Rodomar, assistant to Mr. Millen in the rationing department?

5. Is Mr. Antonio Girard director of rationing at Sherbrooke, Quebec?

6. If so, are his services satisfactory?

Mr. ILSLEY:

1. Mr. Jean Peloquin, director of rationing for the province of Quebec, is being relieved' of his duties on July 31, 1942.

2. General incapacity to perform the duties required in that position.

3. Mr. S. Boyd Millen is supervisor of the ration section. Prior to his appointment to the wartime prices and trade board Mr. Millen was managing director of John Millen and Son, Limited, Montreal. Mr. Millen is serving the board without any remuneration.

4. Mr. O. W. Rodomar, deputy supervisor of the ration section, has, for the last fourteen years, been an employee of the Chrysler

Questions as Orders for Returns

Corporation in the province of Quebec, occupying the position of assistant regional manager for eastern Canada. Mr. Rodomar is on loan to the government from the Chrysler Corporation.

5. Yes, as a temporary appointment.

6. Yes.

*INTEREST RATES

Mr. CHURCH:

Will the government consider holding a conference with the Canadian Bankers' Association and chartered banks of Canada, with a view of asking them to reduce their interest rates during the remainder of the war, (a) on call loans, (b) on loans on current accounts, (c) on loans of customers who borrow to help pay part of their income tax?

Mr. ILSLEY: This question relates to matters of policy, and it is not the practice of the government to disclose policy in giving answers to questions. The question may be regarded as being answered, and that is the answer.

*CHARGES AGAINST COLONEL DREW—PAYMENTS TO D. L. MCCARTHY, K.C.

Mr. TUSTIN:

What is the total amount paid to D. L. McCarthy, Esquire, K.C., for his services as special prosecutor in the action against Colonel George A. Drew?

Mr. ST. LAURENT: No account has yet been received from Mr. McCarthy.

INCOME TAX RETURNS-MANITOBA

Mr. ROSS (Souris):

1. How many people in Manitoba filed income tax returns or paid income tax for 1941?

2. How many people in rural Manitoba filed income tax returns or paid income tax in 1941?

3. How many farmers in Manitoba filed income tax returns or paid income tax in 1941?

Mr. ROSS (Souris): Since it is so late in the session I ask that this question be dropped.

Question dropped.

QUESTION PASSED AS ORDER FOR RETURN

CURRENCY-GOLD-BANK DEPOSITS-PUBLIC DEBT

Mr. HANSELL:

1. What was the total amount of money in circulation in Canada at March 31, 1939, and at March 31, 1942, of (a) copper, (b) silver, (c) other coins?

2. What was the total amount of Bank of Canada notes in circulation as at March 31, 1939, and March 31, 1942?

3. What was the total amount of chartered bank notes in circulation in Canada on each of the above dates?

Mr. Ilsley.]

4. What was the total amount of monetary gold possessed by the government of Canada as at March 31, 1^{3} and 1942, (a) Bank of Canada, (b) chartered banks, (c) foreign exchange control board?

5. What was the total amount of bank deposits in Canadian banks as at each of the above-mentioned dates?

6. What was the total number of depositors having accounts in the chartered banks of Canada as at March 31, 1939 and 1942?

7. What was the total public debt of Canada on the above-mentioned dates, (a) municipal, (b) provincial, (c) dominion?

Mr. ILSLEY: Return tabled.

MOTIONS FOR PAPERS

PUBLIC SERVICE—DEPARTMENTAL COSTS—NUMBER OF EMPLOYEES, 1938-42

Mr. CHURCH:

For a return showing—1. The cost of operating, during the fiscal periods ending March 31, in each of the years, 1938, 1939, 1940, 1941, 1942, the following departments and branches of government: Agriculture, Auditor General's office, Chief Electoral Officer's office, Civil Service Commission, External Affairs, Finance, Fisheries, Governor General and Lieutenant Governor, Insurance, Justice, Labour, Mines and Resources, National Defence, National Revenue, Pensions and National Health, Post Office, Prime Minister's office, Privy Council office, Public Archives, Public Printing and Stationery, Public Works, Royal Canadian Mounted Police, Secretary of State, and Munitions and Supply, including salaries and wages paid to executives and clerical staffs.

2. The number of employees in each of the above departments, in the years 1938, 1939, 1940, 1941 and 1942, and the total salaries paid.

3. The number of employees engaged by permanent commissions under the federal government, (a) civil—for the above years; (b) war —by years since established.

4. The total number of staff and employees of all departments and commissions in existence in 1938, 1939, 1940, 1941 and 1942.

Mr. CHURCH: Mr. Speaker, I would ask that this motion be dropped, in accordance with the terms of the letter which the Minister of Finance (Mr. Ilsley) has written to me. Some of the details asked for here in part with respect to the departments appear in the estimates and appendix and in the auditor general's report, and improvements will be made for this fiscal year. The minister has also drafted for me a motion which appears on Tuesday's Votes and Proceedings asking for details, which he will table, of the cost of control boards and commissions for the fiscal year ending March 31, 1943. In view of this and the fact that the house will soon be adjourning, I ask that the motion be dropped.

Motion dropped.

HONG KONG COMMISSION-LETTER FROM COLONEL DREW

Mr. CHURCH:

For a copy of a letter written by George A. Drew, K.C., to the Prime Minister, regarding the Hong Kong situation, and handed to a press agency for distribution to the Canadian daily and weekly press last week and then cancelled?

Mr. CHURCH: Mr. Speaker, I would ask that this motion be dropped, because we have had a two-day debate on this subject in which I raised this very question; in my opinion the matter herein was given, and you gave your ruling. As a sportsman and an old member of the house I know that one should not argue with the referee or umpire, and I think Your Honour has always been very fair. I have found the House of Commons to be a place of much kindness all session.

Motion dropped.

TORONTO NAVAL HEADQUARTERS AND FORT YORK NAVAL BARRACKS

Mr. CHURCH:

For a return showing:—1. The names, rank, salaries and other emoluments of the officers, petty and minor officers, of the navy headquarters and the Fort York naval barracks at Toronto.

2. The number of civilians employed, their names, salaries and other emoluments, who appointed them and by what authority.

3. Names of officers who have served overseas or at sea during this war, and for what period.

4. Any changes made recently in the headquarters staff, the new positions created, for what purposes, and whether they will go to sea as officers.

5. The actual naval experience in this war of the above mentioned headquarters staff.

MERCHANT MARINE

CONDITIONS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I should like to direct some questions to the Minister of Munitions and Supply, either in his capacity as minister of supply or in his capacity as acting minister of transport.

First, by whom will the new Canadian merchant marine be operated? Second, what steps are being taken to see that these ships are manned by Canadian sailors under Canadian standards of wages and working conditions? Third, is it not a fact that there is available an ample supply of Canadian officers, engineers and men to man these ships? Is it not also a fact that certain organizations in Canada have supplied crews to ships of other nations and are prepared to undertake the task of manning these new ships?

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, the ships now being built, the standard 10,000-ton merchant ships, are being placed under the control of a crown company which has as its directors a representative of each of the principal shipping lines in Canada.

Mr. HANSON (York-Sunbury): What are the names?

Mr. HAZEN: What is the name of the company?

Mr. HOWE: The name of the company is the Park Steamship company. The ships are to be handled as ships are being handled in Britain and in very much the same way as ships are being handled by the maritime commission in the United States. The ships are being taken over by a shipping company for the operation of a single voyage at a nominal fee, all profits and expenses of the voyage being charged to the operation of the ship, and any profit being returned to the government. The shipping company that will handle a particular voyage depends upon the destination of the voyage, which in turn depends upon the particular requirements of the Canadian shipping board, which board controls the routing of all these ships.

The hon. member's next question was whether the ships are manned by Canadian crews.

Mr. HANSON (York-Sunbury): Under Canadian standards.

Mr. HOWE: These ships will be and are being operated by Canadian crews; the wages have been worked out in cooperation with the Department of Labour, and the standards are Canadian standards.

Mr. HANSON (York-Sunbury): Does that include working conditions, hours, and so forth?

Mr. HOWE: I assume so. I know of no reason why a Canadian ship operated by a Canadian company would not have Canadian standards. I am quite certain it would have.

The next question was, are there plenty of Canadian officers, engineers, firemen and men. The answer is, decidedly not. We have schools that are training officers, but our great difficulty in putting ships to sea as Canadian ships is the lack of experienced deep-sea officers. We have had great trouble in putting out the ships that are at sea to-day, and they would have sailed earlier had it been possible to get together Canadian crews capable of taking them out.

Merchant Marine

My hon, friend's next question was about organization. I hope my hon. friend is not competing with the Cooperative Commonwealth Federation in this regard, but I can tell him that the Minister of Labour and myself met with the organization he mentions. I explained to the organization the reason we could not build up our Canadian service faster than we are doing-because of lack of experienced officers and experienced men. I explained to the organization what was being done in training officers and training men, and I asked the fullest cooperation of that organization in helping the work along. I told the organization that the size of the Canadian merchant marine would depend entirely on the extent we are able to furnish crews. I said that we are building far more boats than we are able to man, and that if they would help us man the boats we would have just as large a merchant marine operated by Canadians as is possible.

Mr. HANSON (York-Sunbury): I mentioned no organization, but I indicated in the question which I asked that a certain organization had offered to supply crews for these ships, and I was asking if they were not prepared to do so. Am I to understand that the minister's answer is in the negative?

Mr. HOWE: No. On the contrary. The Canadian Seamen's Union called upon the Minister of Labour and myself. As I say, we discussed the problem at great length, and I told the officers who were present representing the Canadian Seamen's Union that if they would furnish the crews, we would furnish the ships, and that we would build just as large a Canadian merchant marine as the supply of officers and men would permit.

Mr. HANSON (York-Sunbury): Did the minister ever see the National Maritime Federation in regard to this matter?

Mr. HOWE: No.

Mr. J. J. KINLEY (Queens-Lunenburg): Is the shortage of seamen in the merchant marine a Canadian condition only?

Mr. HOWE: Oh, no; every country is short of personnel in its merchant marine. There is no question about it that all are short of crews. There has been great loss of life among the crews, and of course the dropping out of foreign crews has affected the situation. A great many Norwegian and Swedish sailors have dropped out of the service. The shortage of crews is a condition which, I believe, applies all around the world.

Mr. KINLEY: May I suggest that in the interests of the industry and of the men, [Mr Howe.]

those who serve in the merchant marine should get more recognition for their war-time effort?

Mr. HOWE: Hear, hear. I entirely agree.

HOUSING

FINANCING OF CONSTRUCTION IN CONGESTED URBAN AREAS—EXTENSION OF HOME IMPROVEMENT PLAN

On the orders of the day:

Hon. J. L. ILSLEY (Minister of Finance): I desire on the orders of the day to make a statement with regard to housing.

Some time ago I promised that I would make a statement to the house outlining the housing policy which the government will follow in future, particularly in regard to the National Housing Act. In arriving at a decision as to what our future policy should be, many factors had to be taken into consideration. On the one side, we have an acute and growing shortage of certain materials, particularly of metals, which are used both for building and for war purposes. On the other side, there appears to be undoubtedly an increasing shortage of housing accommodation, particularly in those urban areas where munitions work and other war activity have been rapidly expanded. There has also been the difficult question as to how far the shortage of housing accommodation should be met by emergency war-time housing and how far by the construction of permanent houses; in answering this question one must consider not only the extent to which an existing housing shortage in a given area is likely to continue into the post-war years, but also the extent to which permanent housing on the one hand and temporary housing, including the essential supplying of civic services, on the other hand, made demands upon the supply of the scarcer building materials. Finally, we had to remember that to the extent permanent housing construction can be deferred until after the war, we shall be building up an excellent safeguard against post-war unemployment and depression.

I think the house will agree that it has not been easy to resolve these conflicting claims and reach a decision that would be the soundest possible in the national interest. Fortunately, we have been greatly assisted by the report of the committee on war expenditures, which was published in the Votes and Proceedings of the house on July 16. The subcommittee of this committee which was inquiring into the operations of Wartime Housing Limited made an extensive investigation of the housing situation throughout the dominion, and its report, as the house knows,

Housing

includes certain recommendations in regard to the supply of permanent housing accommodation. My colleague the Minister of Munitions and Supply (Mr. Howe) will make a statement to the house in regard to the operations of Wartime Housing Limited and the recommendations made by the committee on that subject. In so far as the report relates to permanent housing I am accepting its recommendations.

In other words, I have recommended an increase in the appropriation available for the National Housing Act in order to assist in financing the construction of small permanent houses in congested urban areas where a serious housing shortage exists and where permanent houses can be built without threatening to create a post-war surplus and where it can be shown that "by the use of building materials which are non-essential for war purposes, or by the use of building lots already serviced by local improvements, an actual saving in labour and essential war materials can be effected through the construction of permanent homes rather than those built by Wartime Housing." The supplementary estimates which are about to be brought down will contain an appropriation of \$1.000,000 for this purpose.

In addition, we propose to carry out the recommendation of the committee for an extension or revival of the home improvement plan in order to increase the supply of housing units by the conversion of existing large houses into two and three family apartments. The supplementary estimates will include an item which will authorize me to guarantee loans made by approved lending institutions to finance such conversion operations in congested urban areas. The giving of these guarantees will be subject to regulations approved by the governor in council generally along the lines of the provisions of the Home Improvement Loans Guarantee Act and the regulations made thereunder. The aggregate of these loans will be limited to \$2,000.000 and the guarantee to be given to each approved lending institution will be limited to 15 per cent of the loans made by such lending institution.

I may add that I have had certain requests made to me that we should amend that provision of the National Housing Act which limits 90 per cent loans to loans on houses costing not over \$2,500 to, say, \$3,000 or \$3,200 or \$3,500, depending on those making the representation. We have given the most careful consideration to this suggestion but the decision we have reached is that no change should be made in this provision of the legislation. However, I want to draw to the attention of

the house a policy already in operation by the housing branch of this department which will, I believe, meet the situation. This policy permits a borrower to take advantage of the 90 per cent loan provision even if his house is eventually to cost an amount in excess of \$2,500. In order to reduce the first cost he may omit some of the equipment; he may leave certain parts of the house unfinished; or he may avoid other items of expense which may be incurred later when the necessary building materials and equipment become available. We believe this to be a sound policy, particularly where the items omitted involve the use of some of the scarcer metals. The operation of this policy will reduce the first cost of a small house to the point where it may be eligible for a 90 per cent loan, thus conserving scarce materials and labour and making it possible for the family of small income to finance the construction of a small house.

Mr. H. C. GREEN (Vancouver South): I understood the Minister of Finance to say that the Minister of Munitions and Supply would be making a statement concering Wartime Housing. When will that statement be made, and will it deal with the question of extending the provisions to help the dependents of men in the forces?

Hon. C. D. HOWE (Minister of Munitions and Supply): I will make the statement tomorrow or the next day and try to make it as complete as possible.

TAXATION

INSTALMENT PAYMENTS OF CORPORATION INCOME AND EXCESS PROFITS TAX

On the orders of the day:

Hon. J. L. ILSLEY (Minister of Finance): I should like to make a brief statement regarding instalment payments of corporation income and excess profits tax by corporations.

The house will recall that under this year's budget resolutions corporations are to be required to start paying in the middle of the taxation year the estimated taxes for that current year. For example, companies whose fiscal periods coincide with the calendar year will be required to pay in July, this month, one-twelfth of the estimated tax for 1942. The law was to have called for interest at the rate of 8 per cent on any deficiency in these payments. Since the budget it has been represented to me that the requirements just mentioned will cause a stringency in the cash position of many companies, particularly in the case of those who adopted the voluntary instalment plan for the payment of 1941 taxes, since the two final payments under it will not

44561-310

REVISED EDITION

have been completed before the time for making payments in respect of 1942 taxes. There is an overlap of two months. To afford some relief from this situation I have decided that in respect of any deficiency in the first two instalments of taxes for 1942 the rate of interest charged on such deficiency shall be only 2 per cent instead of the 8 per cent which will apply in the case of any default in the remaining ten instalments. Under this arrangement corporations, if they find it necessary, may postpone the payment of the whole or any part of the first two instalments and pay them at any later time within the twelvemonth instalment period by paying 3 per cent interest on delayed payments.

This does not meet the requests of certain members, but forms have all gone out and it would be practically impossible to change the system as requested by the member for Lincoln (Mr. Lockhart), the member for Waterloo South (Mr. Homuth) and others.

Mr. CHURCH: Why not continue the general housing act until after the war and a year after? Building is two-thirds over for this year.

Mr. ILSLEY: When the hon. gentleman reads my statement he will see that I have dealt with the matter.

There are two other subjects on which I promised to give information to the house, but I am not in a position to do so to-day. I was asked at one stage of the session to make a statement regarding the parliamentary control of expenditures of crown companies. I will do that before the session ends. I was also asked to make a statement regarding a form of public accounts. I will make that statement.

HALIFAX DOCKYARD

INVESTIGATION INTO THEFT OF STORES

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Owing to the fact that several persons have been found guilty of theft at the stores in the dockyard at Halifax, which contain a very large amount of stock, is it possible for the government to make an investigation, through the Royal Canadian Mounted Police or otherwise, in order to find out who have been or who are the receivers of these stolen goods, so that the practice may be stopped?

Hon. L. S. ST. LAURENT (Minister of Justice): The hon. member mentioned to me a few moments ago that he intended to submit this question this morning. I can assure him that a full investigation will be carried [Mr. IIsley.] out in order to protect as completely as possible the interests of the government and of the public.

Hon. ANGUS L. MACDONALD (Minister of National Defence for Naval Services): Inasmuch as this concerns my department as well as the Department of Justice I can tell the hon. member for Témiscouata that the Department of National Defence for Naval Services will cooperate in every way with the Department of Justice in order to determine the identity of the culprits and the identity of those who may have received stolen goods.

INTEREST RATES

PROPOSED CONFERENCE WITH CHARTERED BANKS WITH A VIEW TO REDUCTION

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I wish to ask the Minister of Finance (Mr. Ilsley) a question. It relates to question No. 13 on to-day's order paper, regarding which the minister says it is a matter of government policy. In a very few hours we shall be closing, and as this matter concerns some of the working people of the country I would ask the minister, before the house closes, if he would make a statement. Will the government consider the question of 6 per cent, $6\frac{1}{2}$ per cent and 7 per cent interest rate being charged to persons in difficulties, when the same agencies, the chartered banks, are lending money at $\frac{1}{2}$ of 1 per cent to the government and other large customers? We should have some statement of government policy before the session closes. Everyone seems to be afraid to mention the word "bank"-both the press and the house-except in a whisper.

Hon. J. L. ILSLEY (Minister of Finance): I cannot undertake to make any statement on the subject before the house closes. This is simply a matter on which a statement will be made when a decision is arrived at.

Mr. CHURCH: It has been regulated in the United States. The interest rates which are being charged represent nothing but usury. How do you expect people to pay such income taxes?

CARRIER PIGEONS

REQUEST FOR STATEMENT WITH REGARD TO WAR USE AS MESSAGE CARRIERS

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): May I ask the Secretary of State if he would kindly have my question of April 20 in

War Risk Insurance

regard to carrier pigeons answered by the Minister of National Defence for Air? The British government have issued a full page on carrier pigeons and the war work they are doing, and I do not see why this government cannot do the same.

Hon. N. A. McLARTY (Secretary of State): Of course I have no authority over the Minister of National Defence for Air, and at the time the question was raised that department took the attitude that to answer it was not in the public interest. I have no objection to mentioning it again to the Department of National Defence for Air, but I have little hope of getting them to change their view on the question, on which an answer has already been tabled as a return.

Mr. FRASER (Peterborough West): I would add that I have had dozens of letters from fanciers throughout Canada in regard to the matter.

BUSINESS OF PARLIAMENT

REALLOCATION OF WORK OF COMMONS AND SENATE TO MEET WAR CONDITIONS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): In view of the fact that the house will shortly be closing I would ask the Prime Minister whether he has any statement to make about giving more war work to the other branch of the legislature, and a readjustment of work. The right hon. gentleman said he was sorry he could not give me an answer "to-day." That was sixty days ago, and I think we ought to give that branch some more war work. They would do better war expenditure work than the war expenditures committee do gallivanting all over Canada without any authority.

Some hon. MEMBERS: Order.

Right Hon. W. L. MACKENZIE KING (Prime Minister): If my hon. friend has followed the proceedings of the senate in the last few weeks he must be filled with amazement at the way in which its members have been working every day so far as I can see. Certainly the government will continue to give consideration to my hon. friend's question.

Mr. CHURCH: Oh be a sportsman and give them some decent additional war work.

MILITARY SERVICE

PRESS REPORT AS TO CALLING OF CERTAIN CLASSES

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I wish to ask a question of the Minister of 44561-3103

National War Services. The press carries an item to the effect that the nineteen-year-old class is about to be called and that some alteration is being made to reduce the age limit at which young men are called from twenty years to nineteen years. Would the minister be prepared at this time to make a statement?

Hon. J. T. THORSON (Minister of National War Services): There is no truth in the report.

WAR RISK INSURANCE

PROVISION FOR COMPENSATION FOR WAR DAMAGE TO PROPERTY—CONSIDERATION OF SENATE AMENDMENTS

The house proceeded to the consideration of the amendments made by the senate to Bill No. 56-Mr. Ilsley-to make provision with respect to insurance of property against war risks and the payment of compensation for war damages.

Hon. J. L. ILSLEY (Minister of Finance): Mr. Speaker, the motion I desire to make with regard to this order is this:

That a message be sent to the Senate to acquaint their Honours that this house disagrees with their amendment to section 26 of Bill No. 56, for the following reasons:

Because the said amendment extends the scope of the bill as passed by the House of Commons.

I have an opinion from the Clerk of the House of Commons to the effect that this amendment contravenes constitutional usage and practice in that it extends the scope of what is essentially a money bill. I have here a note of the respects in which it does extend the scope of the bill and in such a way as in all probability to impose an added burden on the taxpayers. But I do not think it necessary for me to give these reasons to the House of Commons. In essence this is a financial scheme by which we shall be taking in large sums of money from the public of Canada and under which we shall be paying out large sums of money to those whose property we insure, in the event of that property suffering damage. The alteration of that scheme in an important particular, by greatly expanding the number of companies and altering the character of the companies with which the government has power to enter into agreements, is the alteration of what is essentially and soundly considered a financial bill. For that reason I am moving that this message be sent.

Hon. R. B. HANSON (Leader of the Opposition): If I interpreted the minister's remarks correctly, he based his original objection to the Senate amendments on a matter

Succession Duty Act

of principle, namely, that the Senate amendment sought to include within the scope of section 26 such other companies as might satisfy the minister with regard to their financial standing and ability to perform the obligations required of them under such an agreement. He expressly referred to certain provincial companies which, up to the moment at all events, have not yielded to the jurisdiction of the federal authority. That was the basis, as I understood him, upon which he objected to this amendment. Apparently since that time an additional reason has been brought forward, namely, the constitutionality of the amendment proposed by the senate. Of course the government could waive that, if it so desired, by accepting the amendment. I think the minister was on much stronger ground on his first objection. I would prefer to base my opinion on that rather than on the other, although I recognize the validity of much of what he has said.

Motion agreed to.

DOMINION SUCCESSION DUTY ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 123, to amend the Dominion Succession Duty Act.

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

On section 1-Definitions.

Mr. HANSON (York-Sunbury): The minister had previously introduced a bill which received its second reading on July 22. Last evening he withdrew the bill and reintroduced it in its present form. It would assist the committee if the minister would explain what the changes are in the bill as reintroduced. I have just received a copy of the bill and have not had time to read it. Then I assume we shall take it up section by section.

Mr. ILSLEY: Yes, I can do that. Unfortunately the previous bill was not examined by me in any real sense before it was introduced. I was very busy on the resolutions, and I assumed that the bill would follow the resolutions and that all the real work was done. But when I saw the bill I discovered that there were a number of provisions in it with which I did not agree, and which, as I thought, extended or altered the resolutions. I have put a lot of work on the bill since, and while I do not expect that it is perfect yet, from my point of view it is much better than it was before.

With regard to section 1, it was designed to provide that grandchildren should not qualify automatically as children within the [Mr. R. B. Hanson.]

succession duty act, but that there should be a dependency in regard to grandchildren. That should not be the case in regard to children but certainly should be in regard to grandchildren. That is the object of the amendment and is what was designed to be done. But included in the bill as drawn before was the provision that in the province of Quebec the provisions of the paragraph would apply to persons whose support and education had been actually undertaken by the deceased, while such person was under the age of twelve years, and any lineal descendant of such person. It was quite obvious that that provision should either be general for all provinces or should not be in the section. I had to decide which of those alternatives was preferable. In our income tax legislation and our succession duty legislation so far we have consistently recognized as children, children by blood or adoption only, and I think it is important to continue that principle. I would not care to depart from it. Therefore I have taken that provision out. The draftsman inserted the provision on the assumption, I believe, that there was no adoption law in the province of Quebec. If there were not, of course some provision would have to be made for that, but it has been brought to my attention that there is an adoption law in the province of Quebec, and if there is such a law there is no justification for making a different provision for one province from that made for another. No difference is made in the Income War Tax Act. The statement in the old explanatory notes that this simply brought the provision into line with those of the Income War Tax Act was a mistake.

Mr. HANSON (York-Sunbury): Subsection (b) of section 2ⁿ of the present act provides that:

"Child" means any child of the deceased including any person lawfully adopted while under the age of twelve years by the deceased as his child and any lineal descendant of any such child, provided that such child was under eighteen years of age at the date of the death of the deceased or, at the said date, was dependent upon the deceased for support on account of mental or physical infirmity.

That, I think, follows the more or less general rule, although my recollection of the succession duty acts in the provinces is that a grandchild usually stood in the same position as a child, without any limitation, on the theory that being a lineal descendant of the testator he was entitled to some consideration.

Under the present law any grandchild who is under eighteen years of age is considered to be a child, and any grandchild dependent upon the deceased for support on account of

mental or physical infirmity, irrespective of age, is considered to be a child. As I understand it, the effect of the proposal now is to limit very substantially the definition of a child, and practically to cut out the grandchildren altogether, unless perhaps they are legally adopted.

Mr. ILSLEY: Or dependent.

Mr. HANSON (York-Sunbury): Or dependent; that is to say a grandchild, even under the age of eighteen, now gets no consideration.

Mr. ILSLEY: Unless dependent.

Mr. HANSON (York-Sunbury): Unless dependent.

Mr. ILSLEY: Then it does.

Mr. HANSON (York-Sunbury): The mere fact of being a grandchild is not in itself sufficient to bring about any exemption?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): That of course is strictly limiting the class of children. Why did the minister decide to impose that strict limitation? Does he think the nation will lose a great deal of money if this change is not made? What other jurisdiction restricts it so far?

Mr. ILSLEY: The widow gets an exemption of \$5,000 for each child, and I do not think it would be reasonable for a widow who is a grandmother to get an exemption of \$5,000 for each of her grandchildren who are not dependent upon her at all.

Mr. HANSON (York-Sunbury): The minister was of the opposite frame of mind last year.

Mr. ILSLEY: I do not think we thought of it.

Mr. HANSON (York-Sunbury): Well, that just shows how hastily this legislation was drawn. The action the minister is now taking lends support to the proposal I advanced last week with respect to the consideration of these taxation proposals by some committee of this house before they are brought down. The care of grandchildren very often devolves upon the grandparents, and I suppose the minister contends that he has dealt with that point under the dependency provision. I have always thought that lineal descendants or progenitors of the testator should be in a privileged position, and we should not be too exacting with them. The answer of the minister is that the \$5,000 provision with respect to the grandmother is sufficient. I submit that it is not. I would much prefer to have the original provision adhered to.

Section agreed to.

Succession Duty Act

On section 2—"Dutiable value."

Mr. ILSLEY: There is no change in this from the first draft. It is an important provision, however.

Mr. HANSON (York-Sunbury): Was this passed previously?

Mr. ILSLEY: No, it was not passed, but there is no change from the bill that I introduced previously. This is an important provision, and sections 2 and 4 should be taken together.

The CHAIRMAN: Is it the pleasure of the committee that sections 2 and 4 be taken together? Carried.

On section 4—Exemptions to be deducted from dutiable value.

Mr. ILSLEY: The rates of duty in the schedule to the act were intended to be based! on the definition of "dutiable value" as now amended. By reason of the wording of the original definition, under section 11 of the act widows and dependent children would receive not only the exemptions of \$20,000 and \$5,000 referred to in section 7 of the act, but an additional \$5,000. This was not intended. Furthermore, it was the original intention that the rate which should apply to the portion actually to be taxed should be the rate in the schedule set opposite the figure for the succession before the exemptions were taken off. For example, if a widow receives \$24,000. under the present law there would be no tax at all though it was intended that \$4,000 would be taxed; that is, that she should have an exemption of only \$20,000. Furthermore, the rate which should apply to the \$4,000 was to be the rate in the schedule set opposite \$24,000, the total succession, rather than the rate set opposite \$4,000, the sum remaining after deducting the exemption. The amendment will bring the law into line with the original intention.

Mr. HANSON (York-Sunbury): If that was the original intention, very inept words were used. I think the original intention was liberal, and this is a narrowing of the position, having regard to the fact that this same money now has to bear a substantial tax by the provincial authorities. The minister, in narrowing the provisions of the statute so as to exact more money, seems to ignore the fact that this money is now being heavily taxed by the province, and in some cases possibly by two provinces, depending upon the character of the property passing. I protest against three imposts of succession duty, two at least, upon the same dollar's worth of property passing. It is confiscation pure and simple, and cannot be justified except on one ground.

Succession Duty Act

namely the need for money. This is a capital levy, which may be made three times over under the guise of securing revenue for the crown.

What is the effect of all this? Capital values are just tumbling in this country; there is no question about that. Soon there will be nothing to tax. Above all let me point out to the committee that if this thing is carried to the nth degree, what will be left for post-war reconstruction in this country? Has the government given any consideration to that? There must be some nest-egg left for post-war reconstruction. Is the government to do it all, or is private enterprise to do its share? I submit that private enterprise should not be wiped out. It will be willing to do its share in the reconstruction period if it has anything to work with, but there will be nothing left to work with after we put through legislation of this kind.

Sections 2 and 4 agreed to.

On section 3—Annuities, superannuation, pensions.

Mr. HANSON (York-Sunbury): The old paragraph (g) of subsection 1 of section 3 provided:

—any annuity or other interest purchased or provided by the deceased, either by himself alone or in concert or by arrangement with any other person, to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.

That is included in the term "succession" under section 3 (1). According to the marginal note the amendment is intended to clarify the law that superannuation benefits or allowances payable or granted to the relatives of a deceased person are dutiable. The question I want to ask the minister is this. Is there any other jurisdiction in Canada that treats these superannuation benefits as dutiable? I have gone through some of those acts in eastern Canada, but I was not able to cover the whole field. I am told that in only one case, namely the province of Alberta, are these superannuation benefits or allowances taxed as succession. I am further informed, and a study of the statutes appears to bear out the information, that this provision was inserted in the Ontario act at one time, but that when the position was presented to the treasury officials of the province the section was repealed. I believe it was a very onerous provision. How onerous it was by comparison with this section, I do not know. I am certain that this will come as a great shock to the civil servants. It imperils their position and the position of those who have nothing left to rely upon after they have completed their service. In certain cases [Mr. R. B. Hanson.]

which I could instance, it will constitute the taking away of a substantial part of the succession. I have heard of a case where a woman will have nothing for three or four years because her husband's estate consisted largely of superannuation allowance.

Take the case of a civil servant who marries late in life. He may have been in the service, say for forty-five years, and be in receipt of a substantial salary as deputy head of a department. He has several children, and should he die they, along with his widow, would qualify for an allowance. But he has no other estate. I assume the capital value of the superannuation allowance will be estimated on the basis of the widow's expectation of life. If she is only forty years of age, her expectation would be substantial. I do not know what rate of interest will be applied-it used to be 5 per cent in New Brunswick; that was the standard rate, but possibly interest rates have come down-but assuming it is 5, 4, 3 per cent, it will represent a large capital sum. The lower the rate of interest and the greater the expectation of life of the widow, the larger the capital sum. The fact is that this woman would have nothing to live on. She would have to pay not only succession duty but income tax, if I appreciate rightly the other act. She could not possibly get any income from the superannuation fund. Is that British justice for an old public servant. Have I overstated the case? I leave it to hon. members. This is to be made applicable to civil ser-

vants who have been in the service heretofore, who are working under what the minister has termed, in another connection, a contract. I have seen the correspondence between the minister and retired civil servants who have applied for a cost-of-living bonus on their superannuation or retiring allowances. I have not that correspondence here, and I am not going to go into it. The minister took a most decided position in that matter. He contended in his letter that they were not entitled to a bonus because they were being paid under a contract which they had entered into, which contract was still in effect and which was being carried out by the government. It does not automatically follow from that statement that superannuated civil servants are not entitled to a cost-of-living bonus. At the moment I am not arguing any case for them. I am merely showing the position the minister took in that regard. I am applying it to this case.

I submit that this provision to capitalize the superannuation allowance of a widow and children of a civil servant should not apply to those who entered the service previously. Furthermore, this superannuation allowance is to be taxed not only for succession duty purposes under this law, but as income for the duration of the recipient's life. Is that fair? Have I made myself clear? I should like to hear the opinion of hon. members. Did the minister consider the effect this provision would have upon the present civil service? I would not object so much if it applied only to those who enter the service hereafter, because they would know what to expect. It would be part of their contract. But I submit it must come as a great shock to these people, some of whom have been in the service for many years, working under what they considered to be a contract, to find now that that contract is being varied by law.

There is a substantial amount of injustice being done by the inclusion of these people in these provisions. The minister is carrying his desire to get revenue away beyond the financial structure that has been deliberately set up by the nation for the benefit of the servants of the nation. I suggest there will be tremendous difficulty on the part of dependents of civil servants who have looked forward to this as their only source of revenue in the future. The future of their children is gone. As I am reminded, the killing thing about this taxation is the pace of the taxation, not so much the rate itself. This thing is being put on the civil service of this country without any notice, and the effect upon their morale, upon their future, upon the future of their families, is just killing.

I do not think that I should argue this any further. I have made my objection as logically as I know how. Perhaps I have used strong terms, but this is a distinct breach of contract with civil servants who have worked for years and who have been induced to stay in the service by the security offered. Many of them have stayed in the service at lower rates of salary than they could have obtained in private enterprise or across the line. In the days before the war we lost many of our best civil servants because we were not paying them adequately; we did not pay them in proportion to the service they rendered or the compensation they could have received in private employment. I think we will all admit that. As I say, we induced them to stay in the public service because of the security it offered, but that security is now being impaired and imperilled. I do not think this is proper legislation.

Mr. ILSLEY: I cannot admit the principle that we are prevented by contract from taxing the employees of the government. The hon, gentleman's argument would apply to the income tax just as directly as it would to the succession duty, and it would apply to judges and public servants of that kind and to mem-

Succession Duty Act

bers of parliament. It would never do to exempt from our taxation statutes the employees of the government. When Lord Bennett was Prime Minister of Canada he introduced a measure to cut the salaries of civil servants by 10 per cent. He did not find any difficulty in doing that, although the agreement was, I assume, to pay them 100 per cent instead of 90 per cent. He thought he should not do it in connection with judges.

Mr. HANSON (York-Sunbury): He changed his mind, did he not?

Mr. ILSLEY: He stuck to his position, but he switched to a tax of 10 per cent on judges' salaries. He recognized, and if I remember correctly he expressly recognized, the validity of the position that parliament may tax anybody at any time regardless of any contract which the crown may have with the person taxed. Civil servants cannot come in and say, "I have an agreement with the crown which gives me so much money and therefore the tax cannot be levied on that because it would leave me with less money." That would be setting employees of the government in a privileged class. I have received representations from the Professional Institute of the Civil Service and I have replied that apart from the rights of the matter altogether, we should be very careful not to treat persons connected with the government in a better way than we treat the rest of the people of the country. If we do, the charge will be made that civil servants are drawing up statutes in their own favour. I remember a remark which the member for Vancouver East made in another debate, referring to the salary-ceiling order. He said that there were all kinds of loopholes in that order, and why? Because it was drawn up by the salaried class who were in sympathy with the salaried class.

Mr. HANSON (York-Sunbury): I am not making that suggestion.

Mr. ILSLEY: No; the hon. gentleman does not, because here it is obvious that is not so. Here the justice is recognized of treating civil servants the same as other classes. I do not see how we could defend taxing annuities and pensions which are payable by private employers if we let off those in receipt of superannuation. I do not think we could defend it.

Mr. HANSON (York-Sunbury): You did it last year. That is the answer.

Mr. ILSLEY: Not knowingly. We thought we had covered it, but apparently it did not, or at least there is some opinion that it does not. The hon. gentleman asks about the provinces. My information is that the amount received in the way of superannuation benefits in the provinces is taxable under the succession duty acts of every province except Ontario. I may be wrong about that, but that is the information I get.

Mr. HANSON (York-Sunbury): I do not think it is correct.

Mr. ILSLEY: And it was taxable in Ontario until 1937, when an amendment was passed which exempted civil servants of Ontario and employees of municipal, provincial and dominion governments from the succession duties payable to the province. But why, I do not know. I do not know whether there were some particularly cogent reasons in that case, but from what I know of that amendment, I disagree with it. I do not see how it can be defended.

Mr. HARRIS (Danforth): Mr. Chairman, I appreciate the remarks of the minister, and any remarks I make I hope will be of a constructive nature and not construed as of a kind that would bring less revenue into the treasury. Undoubtedly succession duties and income tax have now reached the point where it is a conscription of wealth. The steady increase in taxation in these two forms in the last few years has reached the point where it is beyond the income received not only by civil service annuitants but other annuitants to pay the taxes levied. I am in accord with what the leader of the opposition had to say on that, and I think the minister realizes the position these people are in.

I am going to suggest that the Minister of Finance and those charged with the administration of succession duties in the provinces should have a conference to see what they could do about this problem. I would like to see them come out honestly and flatfootedly and say: So far as estates are concerned, we will conscript, leaving the dependents on those estates, particularly widows and children, in a position where they can at least live and have some little income left, that their entire income will not be taxed for the first four years after the decease of the person whose estate is being distributed. My understanding is that we do not follow the practice in England, where they have an inheritance tax and an estate tax. I suggest that when this matter is reviewed, we have on the one hand an estate tax, and separate that from the inheritance tax.

The last time we discussed this matter I put on the record the case of a widow left an income of \$10,000 a year. Although it looked as though there might be some fallacy [Mr. Ilsley.] in the case I presented at that time, I have been able to find no fallacy in it. It was the case of a widow left an income of \$10,000 a year, who for the first four years after succession duties and income taxes had been paid, amounting to \$10,102, found herself with absolutely nothing to live on.

Take the case of a person once removed from direct lineage with the deceased, say a niece. In that case the succession duties are higher in the province and higher under the Dominion Succession Duty Act, which follows along provincial lines. A niece, aged thirty-five, receiving an annuity of \$3,000 a year, must pay income tax on that amounting to \$1,335. The next tax is the dominion succession duty. The annuity capitalizes at \$54.307; the succession duty is \$5,050, and in Ontario, the annuity being capitalized at \$47.646, a succession duty of \$9,116 must be paid. That is a total of \$14,166 in succession duties, spread over a four-year period, or an annual tax of \$3,541, while the annuity she receives is \$3,000 per year. Add to that \$3,541, the income tax, amounting to \$1,335, and you have a total of \$4,876 which she must pay for the first four years in order that she might be for life the annual recipient of the \$3,000.

On the other hand, if the estate tax were placed definitely against the estate, you would conscript the wealth that is in that estate to the extent that the taxation will bear heavily upon those who are receiving annuities or incomes from that estate. Let us be honest and say that we are conscripting wealth, so far as that goes, and then those who are left to pay the taxes will have some little income left.

Let me put on the record another case. A niece receives an annuity from two uncles, and perhaps in the same amount, say an annuity of \$5,000 from Uncle Tom and an annuity of \$5,000 from Uncle Bill. The \$5,000 would be capitalized in order to arrive at the capital value of Uncle Bill's estate and would be assessed for succession duties. The annuity would also be capitalized in respect of Uncle Tom's estate and an assessment would be made. Uncle Bill's estate, we will say, is worth twice what Uncle Tom's estate is worth, and therefore the rate of succession duty in the case of Uncle Bill is much higher on the capital sum which is providing the annuity for the niece than the rate on the capital sum of Uncle Tom, whose estate is worth only half the amount of Uncle Bill's with the result that the niece finds herself paying different amounts of taxation for different annuities of the same amount. In normal times I strongly favour the principle of

carefully avoiding any dissipation of the capital sum of an estate, but having regard to the nature of present-day taxation, the estate portion should be conscripted to pay its full portion so far as the estate tax itself is concerned, and let the recipient of the annuity pay inheritance tax. That is just a constructive suggestion.

I have given the case as I understand it of a relative once removed. Now consider the position of an individual who is no blood relation at all. For example, it may be that the head of your organization, or some assistant, has served faithfully for many years, and you wish to provide an annuity for him, in the distribution of your estate, which he may enjoy for the rest of his life. In that case, as the beneficiary is not a blood relation, the amount of the annuity would be capitalized and taxed against the estate. Here is one case affecting a secretary who at the age of forty-five receives an annuity of \$2,000 a This person is still working, earning year. \$50 a week or \$2,500 a year. The first taxation is the normal tax on an income of \$2,500; in the case of a lady secretary the amount would be \$1,090. Including the tax on the increased income, totalling \$4,500, the income tax would be \$2,155. The increased income tax by reason of the annuity of \$2,000 is \$1,065. That is to say, in order to receive the annuity of \$2,000 from the employer who is deceased, the individual pays \$1,065 more than she would have paid had she not received the annuity.

In the case of the person who is no relation of the deceased, the annuity of \$2,000 is capitalized at \$31,365. The succession duty on that amount is \$3,465. The Ontario succession duty, capitalized on \$28,976, is \$12,664. In other words, the total succession duty on that portion of the estate which is lifted out from the capital sum of the estate to provide an annuity of \$2,000 amounts over a four-year period to \$16,129. One-quarter of that, or the annual payment for each of the four years, is \$4,032. The increased income tax resulting from the receipt of that \$2,000 is \$1,065, with the net result that the individual, in order to accept a \$2,000 annuity for the balance of her life, as from the age of forty-five, has to make four annual payments of \$5,097, because she receives a salary of \$2,500 and an annuity of \$2,000. Of course that is just for the first four years, after which there is no more succession duty.

To my mind this constitutes a real hardship. It is on a parity with other cases which I have recited to-day and previously. Some method should be devised—and I can well visualize that it would cover the point raised

Succession Duty Act

by the leader of the opposition-of revamping the entire act in such a way that an estate tax would be considered separately from an inheritance tax, the whole matter to be worked out in conjunction with the provinces. With some arrangement of that kind, I would be in accord with heavy taxation during these difficult times. I say again that this is conscription of wealth. If there is wealth in estates and Canada needs the money, let us go and get it from these estates. It seems to me that often the beneficiaries would be better off if they received somewhat less from estates, especially those in the higher categories. I am not socialistic in this at all, but I want to be sensible about it and assist the minister in some way to avoid the hardship on four classes of people: those who find themselves left in sole charge of estates, blood relations who receive annuities, those once removed in relationship who receive annuities, and faithful servants or others who for some cause are the recipients of annuities. I am satisfied that, with the powers conferred on the government and the Minister of Finance at this time, something more equitable could be worked out.

Mr. HANSON (York-Sunbury): I should like to make it clear that I have never argued against the principle of civil servants paying income tax. That is based on an entirely different principle from the principle in this act. Civil servants are in receipt of incomes or profits, and they should be liable to taxation just as any other subject of his majesty. I do not understand that anyone has ever taken the attitude that they should not pay income tax, nor do I believe that they have taken that attitude themselves. They are willing to share the burden. But they are apprehensive as to the security of those who come after them, and, on the basis of the case I have mentioned, they feel that their dependents, wives and young children, who have looked all these years on these funds as their security, are going to find themselves in necessitous circumstances and without decent provision for their maintenance, and certainly without very much provision for education. I therefore ask the minister to review this situation. There is a distinction between different classes in the civil service: those who come under one category, and those who come under another category after the act of 1924 was passed. I just do not appreciate what it is: the minister and his officers will know it better than I do. Those in these categories feel that this is a very strong discrimination against them. I am not going to labour the point further. I have a number of other points

Succession Duty Act

which I could urge but I have tried as succinctly as possible to state the main objections to this provision.

Mr. JACKMAN: Any point I wish to make on this is because of the two factors of succession duties coupled with income tax on the repayment of the principal sum during the lifetime of the annuitant. I should not object particularly to the capitalization of annuity or superannuation payment because I believe it is a form of wealth which should be capitalized, the same as any other body of assets. But when that fund is distributed throughout the life of the annuitant and the whole amount is taxable as income, and now in higher brackets each succeeding year, some consideration should be given to that fact either in the income tax brackets or under the succession duty provisions. I should like to ask the minister whether any cases have been formulated or any hypothesis made up showing the effect, from the point of view of taxation, on a person who is left a capital sum represented by an annuity and the person receiving the amount of the annuity which is the basis of that capital sum. It seems to me that a person would be much better off to have the capital sum and use the interest or income derived from that sum, and then draw on capital, which would be tax free, to make up any difference between the annuity amount and the interest on the capital sum, and the process would result in the capital sum being reduced somewhat when that person passed on. But there would still be something left-I am certain the tables would indicate that-and there would be a great saving in taxation to the beneficiary during his or her life, by reason of the fact that part of the money which he or she spent to live on would be capital and therefore tax free. The administration here is surely putting a double tax, one in the form of succession duties, and the other in the form of a tax on capital repayments, under the guise of income, on annuitants and people who benefit under superannuation contracts. The whole status of annuity payments should be considered by the income tax department in order that all our people may be treated fairly. But if we cannot rectify that just now, the minister should give every consideration to throwing the weight, in order to get a more equitable balance, a little more in favour of the annuitant or the person benefiting under a superannuation contract when it comes to succession duties.

Mr. ILSLEY: Of course, the person who gets an annuity gets a larger succession than [Mr. R. B. Hanson.] a person who gets interest on a capital bequest, and therefore he should pay a higher succession duty.

Mr. JACKMAN: I do not agree with the minister. It is true that the person receiving an annuity does get a higher current income, all of which is taxable, than the person who has a capital sum represented by the capitalization of an annuity. But that is no reason why the former should pay higher succession duties.

Mr. ILSLEY: Yes; someone else is paying succession duty too on the capital sum that is left to trustees in trust to pay the widow interest throughout, and at her death to pay the principal to her children, and in that case the widow merely gets a life interest and the remainder man pays succession duty on the principal.

Mr. WOOD: I am a layman so far as finance is concerned, but I find myself in harmony with my friends in the opposition in regard to this question. I have taken considerable interest in government annuities and any social security plan that has been mooted, and I am inclined to think that the government would be wise to give some consideration to the encouragement of these forms of social security, of thrift and of saving even to the extent that they might err in charity from the point of view of taxation. As the member for Rosedale (Mr. Jackman) has pointed out, it is extremely unfair to tax annuities. After all, the income from an annuity is partly capital, and you are not taxing income only but capital as well. It seems to me that it is a determined effort to destroy the capital wealth of the country. So far as government superannuation or even company superannuation funds are concerned, we are somewhat in the same position as we argued a year ago with reference to the withholding tax, which was considered a breach of contract when Canadian government bonds were taxed in foreign countries. It was then considered a breach of contract in extending that withholding tax to them. I suggest that we have a parallel case here. If you are going to take a man's savings in his superannuation fund and say to him, "We will take 5 per cent of your savings for your own social security," and then decide to take some of that away from him, there is a strong argument as to breach of contract. It is a parallel to the case of the withholding tax last year and the argument that was advanced with reference to Canadian government bonds as they were taxed in foreign countries. In view of our standard of living and the high taxation to which we are now subject, it will

henceforth be difficult to create estates, so that it will be necessary for us to set aside a certain portion of our income each year in a social security plan of some kind, such as government annuities, and I am of the opinion that the time is coming when it will be extended.

I have never had a great deal of faith in the new order which, some people tell us, will, when it comes, take the struggle out of existence. But there are certain things which I believe it will be necessary for the government to do. It will be necessary for them to set aside some machinery by which it will be possible to have compulsory savings. The initiative has been taken in superannuation funds, government annuities and many other schemes, and we ought not to kill the attempt immediately, or even while this war is on, in our desire to have money to pay for the war. The object is an excellent one but I suggest that we should nurse this particular form of security and saving. I am afraid however that in our desire to pay for the war at the present time there is a danger of killing the very thing which in my opinion we must prepare for in the very near future. If the disaster should overtake this dominion, of our radical-minded friends in the far corner attaining the seats of the mighty, I say to the government: You would be giving them a wonderful opportunity to say that you started this. I have listened to their arguments many times, and it seems to me that in their opinion if a man is frugal enough to save by sacrifice and has created an estate which he can reinvest and thus develop the country and provide employment for men, he is not regarded as having a very high status. I am afraid that some time they will be throwing that back to us. Of course I hope that disaster will never come upon us; nevertheless there is always the danger of people liking to try something once. The public mind might be taken unawares, and with the risk of that condition of affairs existing I think we should be very cautious not to open the gate or to destroy thrift or private enterprise.

Mr. JACKMAN: I suggested to the minister that a widow would be better off with the capital sum rather than with the annuity which that sum would represent. He answered by saying that the widow had a life interest, and the sum would be taxable in the hands of the remainder man. That is a valid contention to allege against my original proposition, but I do not think it would hold as well where the widow had power to encroach on the capital and therefore carry out my original suggestion that the widow have some income from the

Succession Duty Act

capital sum and be able to live partly on capital to equal the amount of the annuity. I do not think the minister's contention is valid at all where there is an outright gift of the estate to the widow. Has any hypothetical case been worked out by the minister's officials showing whether it would be more worth while to a testator to leave a sum outright than to leave it in the form of an annuity or build up a superannuation fund during his lifetime? Without having worked it out, I feel that the person who gets the annuity is in a much worse position, perhaps even apart from the fact that the annuity is wholly taxable each year whereas if she were living partly on her principal she would be paying tax on perhaps only half the amount she would have to live on.

The minister will realize the difficulty which private members have in coming to conclusions on these amendments, some of which we have never seen before. While I do not wish to labour the point of adopting a committee system, it is most difficult for us to be of any value or to perform the service for which we are sent here if we are to have amendments flashed upon us almost at the last moment without any opportunity to give them the consideration they deserve. A question like this requires mathematical calculations and the use of tables which would take at least a morning if not a whole day. I can only say that as long as the minister refuses to adopt the committee system rather than bringing down his budget at the last moment and insisting on the adoption of the budget as a whole without amendments, we have a system which calls for improvement. The minister has asked what is wrong with parliament. He realizes that something is wrong. My contention is that he makes it absolutely impossible for private members to be of any assistance to him or to bring to bear upon the matters to be considered any background of knowledge that they have of the conditions of our people, so that his department may make use of it. He is in effect substituting bureaucracy for democracy.

Mr. ILSLEY: I do not think my answer to the hon. gentleman a while ago was quite apropos. I see now that the alternative to which he wishes me to address my mind is the question which is the most advantageous the bequest of a capital sum, or the bequest of an annuity the value of which is that same capital sum. So far as succession duty is concerned there would be no advantage one way or the other. But so far as income tax is concerned there is an advantage, I presume, in getting the capital sum.

Succession Duty Act

Mr. JACKMAN: The two are inseparable. In order to balance the sections I believe that the minister in imposing this new taxation or succession duty should endeavour to rectify a condition which bears unduly on a particular class in the community.

Mr. McCUAIG: A few days ago the hon. member for Danforth (Mr. Harris) was discussing this question, and he was followed to-day by the hon. member for Rosedale (Mr. Jackman). I have rather felt that there is a certain amount of injustice to the person receiving an annuity. He is taxed for income on money that he does not receive. If I am an executor of an estate and the beneficiary is entitled to the revenue from certain buildings, before paying over the rent I deduct taxes, insurance, repairs, et cetera, and give to the beneficiary the residue. That beneficiary then pays income tax only on that residue. Whereas when you come to annuities the executor deducts from the payment going to the beneficiary the succession duty which he has to pay, and then the beneficiary has to pay income tax, not on the amount which he receives but on the total amount plus succession duty. In other words the beneficiary is paying income tax on the succession duty which is paid by the executors of the estate. It seems to me the beneficiary should be charged income only on the net amount received after the deduction of the succession duty.

Mr. ILSLEY: No doubt the hon. gentleman has given this more thought than I have. But in the case of the real estate the value is determined by the net rentals, I suppose, and the succession duty is leviable upon that value. In the case of the annuity the value is determined by the amount of the annual payments, which are comparable to the net rentals. I am unable to see why the two situations are not comparable. Where is there any injustice? How does the subtraction of repairs, taxes and insurance have anything to do with it? Because in arriving at the value of the real estate one merely takes the net rentals into account, and in the other case the annuities are annual payments comparable to the net rentals, and the capital value is taxed. Is not that exactly the same basis?

Mr. McCUAIG: In the one case the beneficiary, who has received the money, looks at his bank account at the end of the year and finds that he has received say \$3,000 from the executor. In making out his income tax he puts that in. In the other case the executor has retained probably \$1,500 for succession duty and he pays over to the beneficiary only \$1,500 instead of \$3,000 as [Mr. IIsley.] provided in the will. But the beneficiary at the end of the year, when making out his income tax, has to show an income of \$3,000 when he received only \$1,500.

Mr. ILSLEY: In the first case, that of the devise of the real estate, to whom does the real estate eventually go? To the life tenant? No; to a remainder man. Therefore the succession duty payable by the life tenant should be less than the succession duty payable by an annuitant who gets everything, principal and interest. There is no corpus left to go to anyone else; therefore the succession duty should be greater. That is the case that I thought the hon. member for Rosedale was putting to me a while ago, although he was putting it a little differently. One cannot compare the case of a devise of real estate to a tenant for life and upon the death of the tenant to a remainder man, with the provision of an annuity which ceases with the death. If the amounts are equal to begin with, the succession duty payable should be smaller in the case of the person who gets a life tenancy, because more succession duty will be coming from the remainder man.

Mr. JACKMAN: Will the minister agree that the whole position with regard to annuities and superannuation payments, because of the two taxes, the income tax and the succession duty, while perhaps not in a muddle because it is clear enough where the incidence of the tax falls, does bear heavily, and that the whole matter should be reviewed?

Mr. ILSLEY: There is only one possible anomaly in the English rule, which we have adopted here, and that is that annuities are not split into capital payments and interest payments. It is arguable that this is anomalous. It is arguable that when a person dies and leaves an annuity to be paid year by year, part of that annuity should be regarded as interest and part as principal, and that only the part regarded as interest should be taxed. That is not the case under the English decisions, nor is it the rule in Canada, and it is arguable that this is unjust and anomalous. The question has been considered time after time, and it has been discussed in this house, but that is the only feature of the situation that appears to me as being even arguably anomalous.

Mr. JACKMAN: Well, that is the chief point, the return of capital in the form of income, which is taxed at very high rates.

Mr. ABBOTT: The chief difficulty is that which was raised by the hon. member for Rosedale, that we are putting the man who

leaves an annuity to his wife and children at a disadvantage as compared with the man who estimates what they will need and leaves them, say \$25,000 or \$30,000 outright. It is true that in leaving them an annuity he probably does so in order to guard against the possibility that they may waste or dissipate the capital, and he is protecting them to that extent. On the other hand, if he has confidence in them and leaves the capital sum, as the hon. member for Rosedale suggests, they can use the interest on that sum, and that is the only portion which would be taxable for income tax purposes. Then they could draw on the capital for further requirements, so that they are definitely in a more advantageous position. In my province at any rate it is open to a man to leave \$50,000 in trust to his executors, with instructions to pay the revenue to his wife or children, with the discretion to the executors to make capital payments in case of need. I never thought capital payments of that kind would be taxable. It seems to me that if we definitely adopt this policy of taxing annuities for succession duty purposes, including government annuities or annuities created under wills, we shall deter testators from leaving bequests in that form, and encourage the leaving of capital bequests, either with some string attached such as I have mentioned, or outright, and I have some doubt whether that is entirely desirable, particularly in the case of small estates. I think the suggestion of the hon. member for Rosedale is a good one, that consideration be given in preparing succession duty legislation to the point that under the new rule which we adopted last year annuity payments should be taken to include the return of capital, because under the income tax rates in force this year, which probably will be increased another year, the tax is very substantial, so that in effect you are taxing capital in two places. Some consideration should be given to what I feel is an anomaly.

Mr. ILSLEY: I feel that this is an income tax question, not a succession duty question.

Mr. JACKMAN: I hope the minister will not feel that it is a succession duty question when we come to the income tax provision.

Mr. ILSLEY: I have said what is our policy so far as income tax is concerned. Consideration can be given to changing that policy, but that has been our policy heretofore, and it has been considered repeatedly.

Mr. JACKMAN: So long as we get fair treatment for the people, that is all we ask; but consideration should be given to it at some time, and I hope it will be in connection with the income tax act.

Succession Duty Act

Mr. HARRIS (Danforth): With regard to the actual payments themselves, section 27 provides that they shall be made within six months, but it also provides that the minister shall have some discretion. I should like to place on record this observation, which I do not think the minister will deny, that the exercise of this discretion by the minister in this very difficult problem is something which has the full endorsation of the Canadian House of Commons. And while I am on my feet I reiterate that the people of Canada who made their wills ten years or more ago, long before this heavy taxation system came into effect, had better review the position with regard to their estates.

Mr. ILSLEY: I agree.

Section agreed to.

On section 5-Charitable gifts.

Mr. JACKMAN: When this section was drafted originally, owing to inadvertence or to the fact that the committee last year did not embody its intentions in the legislation, the minister suggested that he would give consideration to making it retroactive.

Mr. ILSLEY: It is retroactive.

Section agreed to.

Section 6 agreed to.

On section 7-Residential property of foreign officials.

Mr. ILSLEY: It may be that I shall have to propose an amendment in line 37 of this section. I should like to have it stand until after one o'clock.

Section stands.

Sections 8 and 9 agreed to.

On section 10—Insurance and benevolent and friendly society and superannuation payments to \$1,500 payable without consent.

Mr. HANSON (York-Sunbury): Would the minister outline the change in this section?

Mr. ILSLEY: Important changes have been made, though the amounts are small. The present section provides that any insurance company may pay up to \$1,500 without the consent of the minister. It also provides that so far as joint bank accounts are conerned, any branch of a bank may pay the survivor one-half of the account or \$500, whichever is the lesser, without the consent of the minister. Those were the only two provisions. This section gives more freedom. With regard to life insurance companies the provision is the same.

Succession Duty Act

Mr. HANSON (York-Sunbury): It includes "property" here, as a generic term.

Mr. ILSLEY: That is true, but that includes life insurance; so that the provision with regard to life insurance has not been changed. That same privilege of paying up to \$1,500 has been extended to benevolent and friendly societies, under section 2 (b). This also has been extended to the trustees of superannuation and pension funds, so there is not much change there; it is just an extension of the old life insurance principle to two other classes of institutions. The next section makes another extension. This does not deal with joint accounts, nor is it confined to joint accounts; it provides that any branch of a bank may pay out up to \$500 without the consent of the minister.

Mr. HANSON (York-Sunbury): I think the amount is too small. It is not to be supposed that there will be both life insurance or superannuation benefits and bank accounts. In most cases people do not have superannuation, but most people who have any property have bank accounts. I think \$1,000 should be the minimum from a bank account.

Mr. ILSLEY: It must be noted that quite a wide latitude is being given the bank. If a person had three accounts, and \$1,000 could be withdrawn from each one, it would mean that a total of \$3,000 could be paid out without the consent of the minister.

Mr. HANSON (York-Sunbury): Even that would not be a violation of any principle. The estate would still be liable, the people who got the money would still be liable, and certain estates might need \$3,000. I mentioned \$1,000 because I was afraid to ask for any more. I doubt very much if many people carry three or four bank accounts. Most of us are satisfied if we have one, and probably that has an overdraft.

Mr. ILSLEY: There is not much inconvenience in getting the consent of the minister.

Mr. HANSON (York-Sunbury): It will not be as easy to get the consent of the minister as it is to get the consent of the provincial treasurers with whom one is in closer touch.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

The CHAIRMAN: Section 7 was allowed to stand this morning.

Mr. HANSON (York-Sunbury): What was the difficulty?

[Mr. Ilsley.]

Mr. ILSLEY: The difficulty was with the words "which was an ally of His Majesty" in lines 36 and 37, in that no period is fixed at which the country must be an ally of His Majesty. It is proposed to amend section 7 by adding in line 37, after the words "His Majesty," the following words, "at the time of such war service."

Mr. GIBSON: I move accordingly, Mr. Chairman.

Mr. HANSON (York-Sunbury): Then the reference is not to the present war?

Mr. ILSLEY: It may be the present war or the last war.

Mr. HANSON (York-Sunbury): Or any other war?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I think that is all right.

Amendment agreed to.

Mr. HANSON (York-Sunbury): Section 9 was passed, but we went over it very hurriedly, and I wanted to ask one question. The explanatory note on subsection 4 of section 9 says that this subsection enables a caution to be registered to protect the lien. Does that mean what we call a caveat?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I have never heard the term "caution" used in matters of this sort.

Mr. ILSLEY: It is an Ontario term.

Mr. HANSON (York-Sunbury): Does that give it any better endorsation?

On section 10—Insurance and benevolent and friendly society and superannuation payments to \$1,500 payable without consent.

Mr. JACKMAN: Is the drafting of this clause adequate to carry out the intention of the minister, that if there is more than one bank account or insurance policy a minimum amount may be drawn from each? There is a difference of wording between the original drafting and the present one. It seems to me on reading it, perhaps rather hurriedly, that it might be open to the suggestion that any insurance company or branch of a bank which advanced the minimum amount of money would have to check with the others. I know the intention; it is just a question of the draftsmanship.

Mr. ILSLEY: That was the point of the change. Under the first version it would appear that each branch would have to check with all other branches. But now it has been made

clear, because at the top of page 5, in line 4, are the words "in each of the following cases" there may be paid "moneys in any branch of a bank." That surely makes it clear that any branch can pay out up to the amount of \$500.

Mr. HANSON (York-Sunbury): That is the intention all right.

Section agreed to.

Section 11 agreed to.

Bill reported, read the third time and passed.

EXCESS PROFITS TAX ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 122, to amend the Excess Profits Tax Act, 1940.

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

On section 1—"Profits" in the case of a corporation.

Mr. HANSON (York-Sunbury): What is meant by the explanatory note with respect to the phrase "constructive dividends"? Just what is a constructive dividend? My hon. friend suggests I should further ask if a man or a company could operate on constructive dividends. What are they?

Mr. ILSLEY: The proviso provides-

that standard profits shall not include for the purposes of this act property in any form received by a taxpayer deemed to be the payment of a dividend under section nineteen of the Income War Tax Act.

Mr. HANSON (York-Sunbury): What is that?

Mr. ILSLEY: Section 19 is an important and far-reaching section of the Income War Tax Act. In my own words I would say that it relates to the distribution of earned surpluses. Section 19 provides:

On the winding-up, discontinuance or reorganization of the business of any incorporated company, the distribution in any form of the property of the company shall be deemed to be the payment of a dividend to the extent that the company has on hand undistributed income.

Mr. HANSON (York-Sunbury): That has been the law for some time.

Mr. ILSLEY: Yes. I think that the term used currently is "earned surpluses".

Mr. HANSON (York-Sunbury): Earned undistributed surpluses.

Mr. ILSLEY: Yes. It is "undistributed income" in the act, but in ordinary parlance it is referred to as earned surplus. This

Excess Profits Tax Act

proviso makes it clear that if there was a distribution of earned surplus in the base period, that distribution of earned surplus to a company shall not be taken into account in estimating its standard profits.

Mr. HANSON (York-Sunbury): So that they could not build up their standard profits by taking that into account?

Mr. ILSLEY: Yes. It might be, just by accident, that a company would have so high a standard profit, by reason of the distribution of the earned surplus between 1936 and 1939, that they would never have any excess profits at all as long as the excess profits tax is in existence.

Mr. HANSON (York-Sunbury): That is conceivable, but improbable.

Mr. ILSLEY: Oh, no. Most amazing things happen in this connection. There is a companion provision in this act somewhere which deals with the question of undistributed surpluses in the taxation year. There again, if a distribution takes place in the taxation year of a heavy earned surplus, the company might be pushed right into the 100 per cent class to a very large extent; it might find a very large sum of money being subject to the 100 per cent profits tax, and that would be equally unfair. So that there are other sections in this act which provide that the 100 per cent rate shall not apply to the distribu-tion of this earned surplus in the taxation year, but the 40 per cent rate does, and the 100 per cent rate may in certain circumstances apply-that is when there is a distribution as between closely held companies. It is a complicated matter. I remember one particular instance where there was the distribution of the earned surplus in the taxation year, and we had quite a time about the thing. I think some settlement was made. But if it is all one happy family, so to speak, the distribution in the taxation year is subject to taxation at the 100 per cent rate. All that is provided for in the old act. That was fought out and adopted in the house here last year.

Mr. HANSON (York-Sunbury): This of course is to prevent—shall I say—shuffling of the assets as between closely interrelated companies?

Mr. ILSLEY: The provision was made a year ago, and that is not changed, except that the 100 per cent rate applies now instead of 75 per cent.

Mr. DIEFENBAKER: Does the Excess Profits Tax Act apply to the elementary flying training schools operating under the

Department of National Defence for Air. I should like an answer, because the opportunity will not come elsewhere to reply to this question.

Mr. ILSLEY: Yes, it does.

Mr. DIEFENBAKER: At the present time there are a number of elementary flying training schools all over the dominion which are financed by the people locally. Many of them are sponsored by the local flying clubs. Many of them are operating on the basis that those who advanced the money in order to finance these schools receive a return of 5 per cent: over and above that, any surplus or profit which is made remains with the operating company until the conclusion of hostilities, when the profits then on hand will be turned over to the sponsoring flying club. There are exceptions to that arrangement; all the schools are not in that position. For instance, there is one operating in this province at the city of Windsor, and I mention that so that no one will misunderstand and assume that I have it in mind. In that city a number of patriotic citizens came together and raised the necessary money, \$35,000, without desiring and unwilling to accept any profit to themselves or any interest rate or other financial return, but merely for the purpose of patriotically assisting as best they could. Many of the other flying schools allow a 5 per cent interest rate, which, too, is fair. What I have in mind is this-

Mr. MARTIN: The hon. member might add that Windsor not only provided for the operating expenses but took care of a tremendous liability which was in existence.

Mr. DIEFENBAKER: Yes. When the hon. member mentions that, may I say I paid my tribute to the patriotic citizens of Windsor, in operating that school, as an example of men who put up a large sum of money without the promise of any return, and have refused to accept any profit or return, therefor.

Mr. GOLDING: And St. Catharines, too.

Mr. DIEFENBAKER: Yes. As I have said, there are certain establishments, sponsored by the local flying clubs, in which 5 per cent profit is allowed. The point I am coming to is this. Is the money over and above the 5 per cent return which is set aside by these schools, ultimately to be returned to the flying clubs and used for the purposes of the flying clubs which sponsored their incorporation and their operations after the war, subject to excess profits tax year by year until the termination of their doings?

[Mr. Diefenbaker.]

Mr. ILSLEY: Yes. If they are profits of the operating company they are subject to excess profits tax.

Mr. DIEFENBAKER: The operating company is sponsored by the flying club. Does the minister say that from the beginning of operations of all these elementary flying schools sponsored by flying clubs—and not as at Windsor—excess profits tax has been levied and collected?

Mr. ILSLEY: I do not know whether the standard profits have been ascertained. It may be difficult to ascertain standard profits.

Mr. HANSON (York-Sunbury): They are new companies.

Mr. ILSLEY: The board of referees has the power to fix fair standard profits in the case of new companies, and any excess over that would be subject to excess profits tax. The total profits would be subject to the minimum excess profits tax, 40 per cent in any event, and 75 per cent or 100 per cent on any excess over standard profits.

Mr. DIEFENBAKER: I should like the minister to look into this matter, because the operators of some of these elementary schools are piling up tremendous surpluses. I do not know what the position of affairs is now, but I do know that prior to August, 1941, the excess profits tax was not being applied. The result is that there are a few flying clubs in Canada which have to their credit tremendous surpluses which after the war will be used by the sponsoring clubs. While every consideration should be given to flying clubs to have money available when the war is over for the furthering of aviation, certainly the excess profits tax should be applied.

Mr. ILSLEY: I am very much obliged to the hon. gentleman for bringing that class of company to my attention, and in turn I will bring them to the attention of the Minister of National Revenue. But it may be that these companies have paid 30 per cent or 40 per cent. It was 40 per cent this last year. I am sure they must have done that. That is the minimum. A great many companies have paid on that basis and are awaiting the determination of their standard profits so that they will know whether any more is payable or not and how much.

Mr. HANSON (York-Sunbury): I think that is true.

Mr. JACKMAN: Do I understand that in section 1 the principle is entirely contrary to the ordinary principle that dividends from one Canadian corporation to another Canadian corporation are free of tax? This refers to the winding up of a company, and I may give a case to the minister, so that he can tell me whether I am thinking along the right lines. If a corporation has a subsidiary which has an earned surplus and the subsidiary is wound up, on the transference of funds to the parent company, which would include the earned surplus, is that earned surplus taxable to the parent company?

Mr. ILSLEY: There is an apparent anomaly there, and the reason is that the money that moved from the subsidiary to the parent never appears as income of the individual. There is an anomaly, but it is only apparent. In the case of payment of dividend by the subsidiary to the parent, the payment to the parent comes out again as dividend to the shareholder in the parent and is taxable in the hands of the individual.

Mr. HANSON (York-Sunbury): When it comes out.

Mr. ILSLEY: Yes, when it comes out. But in the case of an earned surplus moving from the subsidiary to the parent on winding up, it is an addition to the capital of the parent and never goes to the individual in the shape of taxable income.

Mr. JACKMAN: It does not go through the earnings account of the parent? The earned surplus from the subsidiary, on winding up, does not go through the earnings account of the parent company. Is that it?

Mr. ILSLEY: Yes.

Mr. JACKMAN: If that is so, I see no objection to it.

Mr. HARRIS (Danforth): The parent company would not be permitted to distribute its surplus capital without paying taxation.

Mr. ILSLEY: Yes; it can distribute capital without taxation.

Mr. HARRIS (Danforth): If it is earned surplus and is transferred to the parent company?

Mr. ILSLEY: This is not earned surplus; it is an addition to the capital of the company.

Mr. HARRIS (Daniorth): It is earned surplus in the hands of the subsidiary company and goes into the capital account of the parent company.

Mr. ILSLEY: Yes.

Mr. HARRIS (Danforth): It is in the capital account of the parent company, and if the parent company wanted to distribute their excess capital—

Mr. HANSON (York-Sunbury): May I see if I can understand it. A parent company has a wholly-owned subsidiary company which regularly pays dividends to the parent comExcess Profits Tax Act

pany. These are taken into the earnings of the parent company but are not taxable at that point?

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): When these earnings are received and again paid out to the individual shareholders of the parent company they are taxable?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is correct. Now the subsidiary company has an undistributed surplus and it is wound up. That undistributed surplus represents earnings of the subsidiary company. It is paid into the parent company and it therefore goes to increase the assets of the parent company, but it is not an increase in the capital of the parent company.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): It has that effect? Is that the interpretation?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): If that inturn is paid out as dividends to the shareholders of the parent company, does not that pay taxation then?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Would there not be taxation twice under the scheme? Of course, the capital of the subsidiary company being returned to the parent company would obviously be a return of capital and therefore would not be taxable; but the discussion revolves around the surplus being paid to the parent company. I am asking for information. That is taxable under the law as income of the parent company and ispaid out again to the shareholders and is taxable again.

Mr. ILSLEY: No. It is only taxed twice.

Mr. HANSON (York-Sunbury): That is what I am saying.

Mr. ILSLEY: No; as the hon. gentlemanargues it is taxed three times.

Mr. HANSON (York-Sunbury): I did not think it went that far. What is the first taxation stage?

Mr. ILSLEY: When the subsidiary earned it. That was the first time.

Mr. HANSON (York-Sunbury): And then it paid taxation.

Mr. ILSLEY: Yes.

Mr. JACKMAN: In other words, if there is a hardship in this case at all the subsidiary company on dissolution can declare a dividend to the parent company which would go into the parent company as income and if distributed by the parent company it would be taxable.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): If it did it in the form of dividends it would not be taxed three times?

Mr. ILSLEY: Twice.

Mr. HANSON (York-Sunbury): But not three times?

Mr. ILSLEY: No.

Mr. WRIGHT: I should like to ask the minister a question with regard to the excess profits tax as applied to farmers. It may seem strange that the farmer should pay any excess profits tax, but there is a group in western Canada who come within this act because they thought it was their duty to withhold their crop two years ago when there was a large crop and great difficulty in marketing it. These people therefore felt it was their duty to carry their crop over to the spring. Last year's being a short crop, they disposed of two crops in one year and so found themselves liable to excess profits tax. It seems hardly fair, as they had no income the year before.

Mr. ILSLEY: They can apply to the board of referees for an adjustment of their standard profits. I do not know how much adjustment, if any, would be granted. The hon. member is putting the case where they had no profits whatever in one year?

Mr. WRIGHT: No; where they had a very good crop in one year but did not market it that year because marketing conditions then were difficult. In the fall there was a quota, and the government was asking any farmers who could do so to hold the crop in their own granaries rather than congest the storage facilities. These people held their crop during that year and disposed of it the following spring. This meant that they disposed of two crops in the one year, which brought them within the act. It seems hardly fair that they should be taxed under that act when they had really no income the previous year, although they had a crop. It should apply to the two years; their expenses were for two years although they disposed of the two crops in the one year.

Mr. ILSLEY: That is a variation of a situation which applies to some businesses. Some amelioration of that condition is provided for in this budget, but not for past

[Mr. Jackman.]

years. The Excess Profits Tax Act amendments and the Income War Tax Act amendments will include one provision to the effect that losses in one year may be carried forward to the next year. That provision was not in existence when the farmers had the losses, in the year in which they held their crop rather than selling it. I do not know of any way in which they can be relieved from paying taxes on the abnormally swollen profits for the year in which they sold two crops.

Ever since the Income War Tax Act was enacted, businesses have been making representations to the effect that they should not be taxed year by year, but that an average of three years should be taken, or something of the kind-a carry-over or a carry-backward of losses, which would involve refunds. We have never departed from the principle of taxing taxpayers year by year. It means of course that a taxpayer in a year of loss pays no taxes; he gets no relief from the government even though next year he may have very high profits, in which event he pays taxes on those high profits. Now the taxes are getting so high that we felt that hereafter we should grant some amelioration by providing for the carry-forward of losses.

Mr. HANSON (York-Sunbury): In other words, the man who gambled heretofore has no protection, but the man who gambles hereafter may have it?

Mr. ILSLEY: Yes.

Mr. WRIGHT: In these cases it was no gamble. They simply thought it was their duty to assist the government by not crowding the facilities for marketing their crop, and now they find themselves penalized.

Section agreed to.

Section 2 agreed to.

On section 3-Ascertainment of profits by board of referees.

HANSON Mr. (York-Sunbury): This makes a change in the procedure with respect to depressed industries and is a departure from the methods previously in force, if I appreciate correctly the language of the new section. There is a proviso which I think changes the method of dealing with it after the taxpayer has filed his statement as provided by subsection 1 of section 5. The difference is the placing of the matter in the discretion of the minister rather than making it imperative upon him to direct that standard profits be ascertained by the board of referees, in other words, leaving it wholly to the minister whether he shall state a case to the

board of referees or determine it himself. Therefore he is taking away from the board a large measure of jurisdiction which I think should remain in the board. It is the difference between administration of a debatable condition by a judicial body or by a purely administrative body which is judge, jury and taxing master. I think the old provision was better and I ask that it be left as it was.

Mr. ILSLEY: The trouble was that a company might have had say 8 per cent return on its capital in the taxation year, and it might contend that 8 per cent was not enough, that it ought to be 9 or 10 per cent. If it were in a position to demand that the matter go to the board, the company would have everything to gain and nothing to lose. The result would be a large number of applications which pretty clearly were not justified.

Mr. HANSON (York-Sunbury): In that case the board would not grant them. Is it not a denial to the subject of a right, in the interest of narrowing the administration down to purely departmental administration?especially in face of the fact that the government has set up this board to deal with just such problems. I understand it will be a continuing board as long as we have this act. I have always thought it was a highly desirable thing that there should be a judicial body which would get away-I say this without any reflection-from what for lack of a better term I shall call the departmental mind. The departmental mind very properly seeks to protect the revenues of the crown. The departmental mind is usually very fair. I want to pay that tribute to the taxing authorities. I have no complaint to make. But there is always the danger that you may get into the hands of an arbitrary administrator. The taxpayer has not many rights left under these laws. If he had a judicial body to which he could go if he thought he really had a bona fide case, why should that right be denied to him? It seems to me that is an elementary principle of justice which we ought not lightly to invade, and I hope the minister will reverse the position he is taking in this section. I do not know that I can say any more than that.

Mr. ILSLEY: There are various classes of cases. Under one class, which is provided for in the first paragraph at the top of page 3, it is within the discretion of the minister as to whether the company may go before the board as a depressed business. The next class is referred to at the middle of the page, at about line 27; these are businesses commenced between December 31, 1937, and January 1, 1939. Excess Profits Tax Act

Those, on application of the taxpayer, shall be sent to the board. The third class is referred to a little later on in that second paragraph and those cases must go to the board without application. That is the case of businesses which were commenced after January 1, 1939, and they must be sent to the board. It is only in the first class that there is any discretion. The department have always contended that they had this right anyway, but they did not want to swamp the board with applications from all kinds of companies which would have everything to gain and nothing to lose by making the application. They could not possibly lose, because they were entitled to their actual experience. If they wanted to get something a little better than their actual experience they might make an application; for they could not get anything worse. The board is merely advisory to the minister, in any case.

Mr. HANSON (York-Sunbury): But the minister said he usually confirmed the findings of the board.

Mr. ILSLEY: Yes, the minister has always accepted them. This is a matter of administrative convenience, in cases where the minister is of opinion that they are not really depressed at all, that they just say they are with a view to getting something off their taxes if they can. They cannot lose, and they are not even out any costs. With the law as it was interpreted by the companies, the prudent general manager or board of directors I think would always go before the board, unless their standard profits were more than 10 per cent. If they were only 9 per cent they would go, because otherwise the shareholders might say: Why didn't you go? You might have convinced the board that you should get 10 per cent.

Mr. HANSON (York-Sunbury): There is nothing wrong with that, ethically.

Mr. ILSLEY: Oh, well; it is an impossible situation. These are complicated inquiries, requiring the services of chartered accountants and everything else. They are simply required to establish a prima facie case in the opinion of the minister before they may go to the board. That is why the minister is making it clear that he does not have to permit them to go in any case where he thinks the business was not really depressed.

Mr. HANSON (York-Sunbury): Then what is the experience of the department? Has this privilege of going before the board been abused? Is the board swamped? From the figures the minister gave us a while ago it would not seem that the board is swamped

with cases. I had an idea that the number of cases was very much higher. I suggest that the reason given by the minister in this discussion is not convincing. He is seeking to change the law so that a man who had a right last year is deprived of that right this year, and the onus is upon him to establish why that right is being taken away. I do not think he has discharged that onus.

Mr. ILSLEY: It just means that the word 'may" is being interpreted as discretionary:

Mr. HANSON (York-Sunbury): Further down on the page you use the word "shall" twice.

Mr. ILSLEY: If it were clear, as the department has always contended, that the word "may" in the fourth line of the section, is not a directive word but is a word that gives the minister discretion, that is all that is needed in this section. If the minister may or may not direct that the standard profits be ascertained by the board of referees, that is all the minister wants to make clear.

Mr. HANSON (York-Sunbury): I realize what you are trying to do, but I am asking about the change in the law. Is it not a fact that if we enact this section a discretion will be vested in the minister which is not now there?

Mr. ILSLEY: No, the minister has always contended that the discretion is there now.

Mr. HANSON (York-Sunbury): I know his contention, but what is the law?

Mr. ILSLEY: The discretion is there now.

Mr. HANSON (York-Sunbury): Then what is the practice?

Mr. ILSLEY: The practice is to treat it as though the discretion were there now, and all kinds of cases are kept away from the board on the theory that the discretion is there. But it is contended by the companies that there is not a discretion, that this is an imperative word which should mean "shall", and this section is to make clear that it does not, that it means "may" in the popular sense. That is all there is to the amendment.

Mr. HANSON (York-Sunbury): If that is so; if the minister has placed his interpretation upon it and the interpretation of the companies is to the contrary, why should it not have been judicially determined before the statute was changed, in fairness to the subject who is being taxed? It is a principle of taxation law, which is laid down in all the authorities that I have ever read, that the subject may not be taxed by the crown without clear and express authority from parlia-

[Mr R. B. Hanson.]

ment or the legislative body enacting the legislation; and if there is a doubt, that doubt under the authorities-and I am in the judgment of members of the legal profession here—usually is resolved in favour of the taxpayer. It must be strictly within the jurisdiction of the taxing authority to impose a tax before that tax attaches, in the language of the act itself. These, of course, are elementary principles upon which I think we all agree. But here is the case of a taxpayer, a company which thought it had a right and believed it had a right, having that right taken away by parliament on the theory that it has not made out a prima facie case and that therefore it has no right to be heard by the judicial body. I suggest that there is a principle at stake and that parliament should not disturb the position in order to strengthen the hands of the administrative officers. If a company cannot make out a prima facie case for relief, the board of referees is not going to treat the company any better than the minister would treat it. It has to make out a prima facie case, and if it does so, by the same token it should be able to go to the board and fight it out or debate it with the minister or the commissioner, or whoever may be handling the matter. I suggest that the minister has not made a case for this change.

Mr. ILSLEY: There ought to be some penalty imposed upon the company for making an unreasonable application to the board.

Mr. HANSON (York-Sunbury): I would not agree with that at all. That is the departmental mind, wanting to get rid of trouble.

Mr. ILSLEY: No, it is not. The rule in ordinary life is that I do not go to law with a man unless I am prepared to pay the costs if I lose.

Mr. HANSON (York-Sunbury): That is not universal, though it is the general rule.

Mr. ILSLEY: That is a salutary deterrent to my litigiousness. On the other hand, there is a certain class of director or generalmanager who thinks that his shareholders come first, who has a deep sense of trusteeship toward his shareholders. That is an ingrained attitude of mind in the country, and I do not know that it is altogether to be censured. But in time of war it comes in conflict with other more important obligations. It is pretty hard to convince such a general manager that he should not do his best for his shareholders.

Mr. HANSON (York-Sunbury): Within reason.

Mr. ILSLEY: Considering the law as it stands now, when the general manager reckons

his profits for the base period he comes to 8 per cent, and he has an excess profits tax to pay. There is a chance that if he could get to the board of referees and convince them that it ought to be 9 or 10 per cent he will be able to save his shareholders a substantial sum year after year during the whole currency of the Excess Profits Tax Act. It will cost him nothing; all he needs to do is to employ a lawyer to come before the board and he can charge the lawyer's expenses to his excess profits as an expense of doing business. Granted a certain type of mind, which I say I do not want to condemn too much, they will all come to the board of referees. There is something wrong with that. The minister must have some curb; otherwise they will all run there.

Mr. HANSON (York-Sunbury): Of course that is not the primary consideration that governs a general manager. He is not going to try to do something he knows he cannot get away with because he either fears his shareholders or wants to please them. What he will do is to consult either his auditors or his lawyer. He will weigh the chances of success against the chances of failure. They have to make out a case. His legal and accounting advisers will tell him what to do, and that will be his defence before his shareholders, against criticism by his shareholders. However, I am not going to labour this any further.

Mr. WRIGHT: What about the farmer I was speaking of who disposes of two crops in one year, who carried the one crop over in order to assist the government in marketing? Will he be allowed to appeal to the board of referees?

Mr. ILSLEY: Such farmers can appeal as a depressed industry; they can go to the minister and if he considers that they are a depressed industry, their case can be referred to the board of referees to determine the proper standard profits for the base period. While the government probably could do it under the War Measures Act and the Consolidated Revenue and Audit Act, under normal conditions it would not give any relief from taxation on profits in that year of high profit. That is an element in our taxation system, that the man who makes large profits in a particular year shall be taxed on those profits although he may have sustained a loss the year before and may sustain a loss the year after. He does not get any help from the government. I am glad the hon. gentleman has brought this up because I am talking quite a bit of the time to his group who think we are running the country in the

Excess Profits Tax Act

interests of the profit-makers, and so on. I am just pointing out some of the features of this system which are not so favourable to people who are making profits. It is when farmers get to be profit-makers that they realize the essential features of the system.

Mr. WRIGHT: I agree with that, but these men held the crop off the market deliberately in order to assist the government. There were no marketing facilities that year; the elevators were all blocked, and the government appealed to the farmers who had granaries to hold the crop and not block the facilities that were already overloaded. In order to assist the government these people retained the crop in their granaries until after the new year, until the facilities were available for marketing, and now they find themselves in the position of having to market two crops in the one year and pay an excess profits tax. They are not in the same position as the companies. This is their entire business for the two years; their entire assets for two years are being disposed of in one year-not because they wished it, but because the government asked them to do it.

Mr. JACKMAN: I rise to support the contention of the hon. member for Melfort (Mr. Wright). As I understand it, the agricultural industry is on an entirely different footing from industry generally. In this case you have two crops being marketed in the one year so that your receipts all come in in the one taxing period whereas your costs of producing are spread over two taxing periods. I cannot think of a situation in industry which would be on all fours with the situation obtaining in such cases as the hon. member has brought before the committee. It seems to me that in the case mentioned the farmer will lose the entire benefit, not only of the profit but of the whole selling price, which will include the cost of production of the second crop, if the effect of this provision is as I take it to be. If the case is examined and found to be as presented by the hon. member, then I believe undue hardship will be imposed the like of which will not be found in the whole corporation taxation structure.

Mr. WRIGHT: If an appeal is made this year to farmers to withhold their crops, I can assure the minister that there is going to be some difficulty. Having had this experience, they will market their crops if they possibly can in order not to be caught again. The government should take this matter under consideration, because they might find themselves in difficulty this year.

Mr. ILSLEY: It must apply to only a few.

• Mr. WRIGHT: Yes, it is not a large number.

Mr. ILSLEY: There is a minimum standard profit of \$5,000. The hon. gentleman knows that, does he not? Even if the standard profits are actually only \$1,000, they are deemed to be \$5,000. So that the taxpayer must make a net profit of more than \$5,000 before he is taxable under the Excess Profits Tax Act. Surely that would eliminate the great majority of farmers. If there are some large operators who would like to make representations to the government to try to get some relief, their representations would be considered. I do not know what could be done; perhaps something could be done by order in council, but we would have to be very careful.

Mr. CHURCH: This section 5 constitutes a conscription of wealth. There is a lot of talk about conscription of wealth, but there is no wealth to be conscripted. It is all very well for some people to talk about taxing others and conscripting wealth which was conscripted long ago, but the only business that I know of that will not be depressed is the undertaking business. As I told the minister the other day, under this budget he will have to get the undertaker to take care of a large number of the people of the country before he gets through with them. We are going to close in a few hours and during the recess of six months many people will have to admit deficiencies in payment. Because of this section 3 the minister will have to assist the taxpayer. I do not know of anyone who is going to have any excess profits. There is certainly no profit attending parliament, and there are no profits in any retail or wholesale business. There will be no profits under the policy of my hon. friends to my left and of the policy announced at their convention or parliament they are having, about which I read in the papers to-day. Before we have another chance of considering the effect of this section and the whole bill we may have to move the parliament buildings to Toronto or another place because in the meantime the enemy may have arrived here ahead of us. As compared with other countries we are the highest taxed country in the world. I venture to say that when the returns come in my hon. friends on the front benches will find that there is much less revenue than they have had from any other budget under these confiscatory bills. This budget may suit certain members, and a section of the press, but it does not appeal to any man in business. It is going [Mr. Ilsley.]

to drive lots of people, lots of retailers and wholesalers to the wall so that they will not be able to make any return under this section.

Mr. MacNICOL: Subsection 5A refers to taxpayers engaged in the operation of gold mines or oil wells. Would this section apply to the oil sands which certain companies are now operating on the Athabaska river? I am told that a very large company has gone up there to try to develop these sands. Would the oil sands production companies come under "taxpayers engaged in the operation of oil wells"?

Mr. ILSLEY: That is an interesting point, and one I had never thought of before —whether oil wells would include tar sands.

Mr. MacNICOL: The right name is oil sands.

Mr. ILSLEY: My offhand opinion would be that they are within the spirit and intent of the section. It is the production of oil that we desire to encourage by the enactment of this section. The section is not new. It is the same old section which has been in for two or three years, except that the words "provided that" are taken out from the first of the paragraph because it was not, strictly speaking, a proviso. It is now a separate provision, but is of exactly the same effect. I do not think there were any other sources of oil except wells at the time the section was originally passed, but I think we would have to extend it to oil producing enterprises of any kind.

Mr. MacNICOL: The reason I ask is that I expect to be on the Athabaska within four or five weeks, and I might be asked that question.

Mr. JACKMAN: The minister did not see fit to include new natural gas wells that might be brought into production during the period. That is something which should be encouraged. I know of enterprises which might go forward if they received such encouragement. Gas is used in war industry, particularly in southern Ontario, and is taken in large quantities by the big industries in Hamilton and the surrounding areas.

Mr. ILSLEY: The problems connected with the framing of this section were difficult, for the reason that at the time this assistance that is what it amounts to, a sort of tax concession to these particular enterprises—was in contemplation, the whole question was whether we would carry it beyond gold, and it was finally decided that we should include oil with gold. Everybody else naturally wants to come in—the base metal mines,

timber, and other producers of natural resources, but we have always held it to gold and oil, and I do not think I should like to extend it now.

Mr. ROWE: Is any consideration to be given to the research departments that many companies have established to meet post-war conditions and for more efficient production to-day?

Mr. ILSLEY: I do not know what kind of consideration the hon. gentleman has in mind.

Mr. ROWE: A company may go to a very considerable expense in setting up a research department.

Mr. ILSLEY: A reasonable amount of research is regarded as a productive expenditure, but if it became excessive it probably would not be.

Mr. ROWE: It is left to the board of referees?

Mr. ILSLEY: No, to the minister.

Mr. HANSON (York-Sunbury): It is administered by the department?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): It is necessary that allowance should be made for that kind of thing. In the early stages of the history of certain companies in the pulp and paper industry there were difficulties in making bond paper. They had to get their pulp and paper clean to achieve quality. That was the experience of companies that I know of, and they had to spend a large amount of money on research work, go out into the world and hire chemists at huge salaries before the task was accomplished. These companies therefore established laboratories; and the expenses in that connection have gone on increasing, and the difficulties of operation, of getting the necessary personnel in war time, have also increased. Could the minister give me an assurance that a reasonable extension of these facilities will be allowed? I think that is all that anybody could ask for.

Mr. GIBSON: Yes, I can give that assurance.

Mr. ROSS (Calgary East): The production of gold and the production of oil are two entirely different things, and I do not see just how this section can be fairly applied. As a gold mine is developed and you get more into the seams of gold, the production tends to increase, but with oil your production is best when the well is first struck; the second year your production is a little less, the third year a little less, and it continues to decline. I do not see how you can work out this principle on a fair basis. Would the minister be good enough to explain?

Mr. ILSLEY: This is a complicated matter. and if the hon. gentleman prefers I can give him a private explanation. I am afraid I may get it mixed up. The practical effect of this provision is to confine the tax to the 40 per cent. That has been the effect both in the production of oil and in the production of gold. But this is the reason it takes effect even in the class of enterprise where production is decreasing: the standard profits are adjusted year by year to the production. That is, if the production diminishes, the standard profits diminish proportionately, and there should be something to offset that. The net effect of this is that there can be no 100 per cent rate effective in the case of oil wells unless the price of oil increases, under these new provisions, by more than 163 per cent. That is the effect of it, but perhaps I had better give the hon. gentleman an extended explanation later. It is extremely complicated, and it works differently in the case of oil wells from what it does in the case of gold mines, if the production normally decreases instead of, as in the case of gold, normally increases.

Mr. JACKMAN: Referring again to the matter of gas wells, I hope the minister will bear in mind when he is making his decision on these matters that the first objective which he, as well as every other hon. member of this house, must have in mind is the winning of this war, and if the production of gas or of any other natural commodity will help in the winning of it, taxation measures or regard for finance must not be given any consideration if it is going to interfere with the production of essential war material. I sometimes feel that the Department of Finance and the Department of National Revenue are so much concerned with the integrity of their own laws and so unwilling to make arbitrary decisions in some cases that they prevent as much war material such as natural gas being brought to the market as would otherwise be the case. I cannot help but think of a particular instance, and from it I am generalizing to some extent. At lake Erie there is supposed to be gas underneath the water as well as on the land near the shore, and if this proposed syndicate or company is allowed the chance of making some return in consideration of the risk it undertakes, it may be that we shall have a substantial amount of gas produced to help in the steel industry. But if the

taxation is such a burden that it will not begin to offset the risk, much less permit of any return on the capital which is put into the venture, probably no interest will be engendered in the project, the whole thing will fall by the way, and the war effort will be that much handicapped. I feel that the minister should make finance the handmaiden of the war rather than the mistress of it.

Section agreed to.

On section 4—Proportion of income tax and tax under third part of second schedule.

Mr. HANSON (York-Sunbury): This is the section which implements the second resolution. It is reasonably clear to me, having read the explanation on the opposite page, but I suggest to the minister that when it gets out to the public, elaborate explanations will have to go to the taxpayers before they realize what this formula is.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I hope special attention will be given by the department to educating the people as to just what this section now implies.

Mr. ILSLEY: Yes. We will do that.

Section agreed to.

On section 5—Depreciation and depletion— Interest—Donations.

Mr. ROSS (Calgary East): We know what has been allowed in the past in the case of oil wells for depletion and depreciation and amortization. Will these figures be revised by the department so as to allow the production costs to be written off more quickly than they have been hitherto?

Mr. ILSLEY: The commissioner tells me that this is a matter of constant negotiation. That is about all I can say.

Mr. HANSON (York-Sunbury): According to the explanatory note, this amendment corrects the reference to the section of the Income War Tax Act under which the minister may allow as a deduction from profits an amount for depreciation. What is the reference, and what is the implication of the change? It may have been explained fully on the previous occasion, but I do not recall, and I have not the reference under my hand.

Mr. ILSLEY: It does not change the law at all.

Mr. HANSON (York-Sunbury): There is a new paragraph (a), is there not, or a new section?

[Mr. Jackman.]

Mr. ILSLEY: In 1940 the provision for depreciation was moved out of section 5 and put into section 6 of the Income War Tax Act, and the Excess Profits Tax Act mistakenly referred to section 5.

Mr. HANSON (York-Sunbury): It is only a matter of mechanics?

Mr. ILSLEY: Yes.

Section agreed to.

On section 6-Revenue losses.

Mr. NOSEWORTHY: Provision is made here for the deduction of losses in the previous year. In the case of an unincorporated taxpayer carrying on more than one business, is it possible to absorb the losses of one, to offset the losses on one business against the profits of another? What is the situation?

Mr. ILSLEY: Is the hon. gentleman talking about setting off the loss in one department of a business carried on by an unincorporated taxpayer against profits made in another department of his business?

Mr. NOSEWORTHY: Possibly different businesses. We have around Toronto a great many what are sometimes referred to as playboy farmers, persons who have large estates and farms which are reputedly worked at a loss, and, I understand, a considerable loss. Can the loss on these be set off against profits, provided that it is an unincorporated business?

Mr. GIBSON: No. Several cases of the kind have arisen and these losses have not been allowed as a deduction from income. The reason is that such farms are not regarded as a business of the taxpayer. It is the use of his income in maintaining an establishment like that.

Mr. HANSON (York-Sunbury): The minister says they have never been allowed. Is that actually true? I have heard of a case where it was allowed, very unfairly. I will not mention the case but I could tell the minister.

Mr. GIBSON: I shall be glad to hear it.

Mr. HANSON (York-Sunbury): I do not want to be personal about anything but I do happen to know about a case. It came to me with fair authenticity, where it was allowed to one taxpayer, and another taxpayer in the same year and in the same circumstances was disallowed.

Mr. GIBSON: The one that came to my attention was probably the one that was disallowed.

Mr. HANSON (York-Sunbury): Is it not a fact that if a joint stock company operates a factory in Montreal in one line of goods and another factory in Toronto or Saint John in another, it files a consolidated return? They pay a higher rate, that is all. What is the position there? One loses and the other gains.

Mr. ILSLEY: On the case put up by the leader of the opposition, if they are related, if they are such that they can consolidate, they have the option of consolidating.

Mr. HANSON (York-Sunbury): In which event they pay a higher tax.

Mr. ILSLEY: I am speaking of cases where they are separate companies but owned by the same interests. One might be a subsidiary. I believe there are other tests as to whether they are substantially owned by the same interests. They have an option to consolidate and to pay a higher rate. It may be a privilege to consolidate because—

Mr. HANSON (York-Sunbury): It is the law.

Mr. ILSLEY: Yes, and one may be taking a loss.

Mr. HANSON (York-Sunbury): But take the case of one company, not a subsidiary but one company operating one plant at a loss and another at a gain. Surely the losses are offset by the gains. I am speaking of a company owned by the same people that is the same legal entity.

Mr. ILSLEY: The only question on which I was trying to get information was whether, if the types of businesses are widely divergent, that makes any difference. I do not think it does.

Mr. HANSON (York-Sunbury): I do not see why it should.

Section agreed to.

On section 7-Professional activities.

Mr. HANSON (York-Sunbury): What change is there as between the present bill and the old one?

Mr. ILSLEY: Is the hon. gentleman asking about a difference in the bills?

Mr. HANSON (York-Sunbury): Yes.

Mr. ILSLEY: There is no difference in the bills.

Mr. HANSON (York-Sunbury): This is the same section.

Mr. ILSLEY: Yes.

Section agreed to. 44561-311 On section 8-Profits not liable to tax.

Mr. MacNICOL: This section provides that the profits of any corporation or joint stock company derived from the operation of any base metal or strategic-mineral mine which comes into production, and so on. During the present war the metal known as magnesium is being or will be produced in Canada. Perhaps it cannot be classed as a base metal or as coming from a strategic-mineral mine because it is used for flares or any sort of explosive. But when it is made into magnesium metal it becomes a metal. Would the production of magnesium metal come under this section?

Mr. ILSLEY: The practice would be for the Minister of National Revenue to ascertain from the Department of Mines and Resources whether they considered it a strategic mineral or not and then make a ruling accordingly. The minister may make regulations under this section.

Mr. MacNICOL: But it is decidedly a strategic metal in this war, and we are away behind in Canada and perhaps in the United States. One reason why the Germans are doing so well is that they are using so much of this metal. Once we start producing it in Canada I would consider it a metal.

Section agreed to.

On section 9-Small corporation profits.

Mr. GREEN: I notice the minister left the date the 1st of January, 1943. Will the section of the Income War Tax which provides for relief for this type of mine until January 1, 1943, be interpreted by the department in such a way that the mine will get practically the same relief if it is opened now as it would if it were opened after the first of January, 1943?

Mr. ILSLEY: The relief is greater under this section for those coming into production after the 1st of January, 1943, than for those that come into production before that date, because under the Income War Tax Act the relief is from income tax and under this section it is from excess profits tax. Under the Excess Profits Tax Act the minimum is 22 per cent and under the Income War Tax Act it is 18 per cent. Twenty-two per cent would be the effective rate.

Mr. GREEN: There is a difference of 4 per cent.

Mr. ILSLEY: Twenty-two per cent is the minimum. It might possibly be greater, but normally it would be 22 per cent.

REVISED EDITION

Mr. GREEN: The definition of minerals is a little broader in this section than in the Income War Tax Act.

Mr. ILSLEY: Yes, and gold is taken out.

Mr. GREEN: Will the Income War Tax Act be interpreted to cover as wide a range of minerals as this?

Mr. ILSLEY: No, and it does not make any difference because there is a six-months period of tuning up. Therefore anyone who starts a strategic-mineral mining enterprise after the budget, or after the first of July at any rate, would not have his mine in production until after the first of January; therefore he would get the protection of this act. For those who started before the budget, there is no advantage; but they were not induced to go into the enterprise by the legislation.

Mr. GREEN: In some cases it might not take six months to get the mine opened up.

Mr. ILSLEY: It is a tricky thing to discuss, but six months is the period for gold. Conceivably it might be shorter for something that was nearer the surface.

Mr. GREEN: Particularly in the case of an old mine.

Mr. ILSLEY: I do not know about that; I think it would depend upon the mineral rather than the nature of the enterprise. I think there would be a uniform provision. But let us say three months was the period fixed for magnesium, and someone started an enterprise just after the budget. He reads the budget and he says: That is pretty good encouragement; I will start. He would not be protected, because he is not within the Income War Tax Act. He had got his mine started before this came into force.

Mr. GREEN: Does the minister not think that is unwise? The main purpose of this provision is to get these mines opened up and into production quickly. Would it not be wiser to take this back say to July 1, 1942?

Mr. ILSLEY: I think the commissioner might make six months the tuning up period. No one ever thought of anything but six months. That is the answer.

Mr. GREEN: That will be covered then, by the department?

Mr. ILSLEY: The hon. gentleman is asking me for an undertaking that six months will apply to all mines, so that no one will miss the encouragement of this act. I do not know about that. I do not think the problem he has raised has any magnitude. I think ordinarily [Mr. Ilsley.] six months would be the tuning up period, and then there is no difficulty. He has evolved a case—with my assistance—in which three months might be the tuning up period and in which a mine might miss out. But if they did they would probably be down here wanting an order in council or something.

Mr. HANSON (York-Sunbury): With regard to these small businesses, is the position of an independent proprietor, an ownermanaged business, changed by this? I take it it is not, but there is a distinct change with respect to small corporations.

Mr. ILSLEY: That is right.

Mr. HANSON (York-Sunbury): They are being deprived of a position which they occupied heretofore to the extent of the \$5,000 limitation?

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): But it does not affect the owner-managed business?

Mr. ILSLEY: The \$5,000 limitation is just the same as it always was to everyone.

Mr. HANSON (York-Sunbury): Then what is changed?

Mr. ILSLEY: Thirty per cent instead of 18 per cent.

Mr. HANSON (York-Sunbury): Only the rate. I do not quite follow that.

Mr. JACKMAN: This change in the rate is very difficult to understand. The ordinary corporation tax, I understand, is 18 per cent. Now the effect of the excess profits tax is to change it, and we have 12 per cent, making it 30, and then 10 per cent additional. Are companies operating under section 8 subject to 18 or 30 per cent?

Mr. ILSLEY: The metals?

Mr. JACKMAN: Yes. It is difficult to clarify without going back to the original statute.

Mr. ILSLEY: The tax on companies under section 8 is 18 per cent. They are relieved of all excess profits tax.

Mr. JACKMAN: The 30 per cent applies to what type of company?

Mr. ILSLEY: I was not talking about mines; I was talking about the general range of small corporations. Last year they were taxable at 18 per cent. They had a very happy year in regard to taxation last year.

because prior to 1941 they were paying 18 per cent to the dominion and anything from $2\frac{1}{2}$ to 10 per cent to the provinces. In British Columbia for example it was 10 per cent. By a fortunate series of events for them they got the provincial tax taken off and nothing put on in its place. This corrects that.

Mr. HANSON (York-Sunbury): This is to level it up.

Mr. ILSLEY: This puts another 12 per cent excess profits tax on under the Excess Profits Tax Act. It is arguable what it ought to be. The more you make it the greater the discrimination between them and proprietorships, and the less you make it the greater the discrimination between them and companies earning more than \$5,000.

Section agreed to.

Sections 10 and 11 agreed to.

Second schedule agreed to.

Section 12 agreed to.

Bill reported, read the third time and passed.

CANADIAN NATIONAL RAILWAYS

PROVISION TO MEET CERTAIN EXPENDITURES AND GUARANTEE OF SECURITIES AND INDEBTEDNESS

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to bring in a measure to authorize the Canadian National Railway Company to issue securities not exceeding \$22,360,000 in principal amount to provide the moneys necessary to meet capital expenditures made or capital indebtedness incurred during the calendar year 1942; to make provision for the purchase or refunding of capital obligations of the company, or of any company comprised of the canadian National railways system, during the said calendar year and for the issue of substituted securities for such purpose; to authorize the governor in council to guarantee the principal, interest and sinking funds of securities issued by the company for the purpose aforesaid; to authorize the making of temporary loans to the said company secured by such securities and not exceeding \$22,360,000 in principal amount to enable the said company to meet such expenditures and indebtedness; with authority to give financial aid and assistance to other companies of the said national system.

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

Mr. HANSON (York-Sunbury): This resolution is in the usual terms. If I recall aright the minister made some reference to it on a previous occasion, showing how the \$22,360,000 was made up, and I think it was explained in the railway committee. Perhaps the minister would make a brief statement 44661-3113

C.N.R.-Guarantee of Securities

now. Does not the whole necessity for this measure arise from the fact that the Canadian National Railways must have government endorsation or guarantee of any securities it may issue in order that it may get a lower rate of interest? Is not that the real reason for this annual resolution? Has the company ever considered financing on its own without government guarantee? Have we ever reached a stage in the history of the Canadian National Railways when that would be possible? They are not allowed to make capital expenditures without the concurrence of the government.

This is very largely limited to refunding, is it not? Capital expenditure must be a very limited part of it, although of necessity there is always capital expenditure, for rolling stock. Under the Philadelphia plan it seems to me it would not be necessary for them to come to the government. However, the fundamental reason for this resolution is the government guarantee, is it not?

Mr. ILSLEY: I was under the impression that they had to have authorization of the governor in council for borrowing anyway, but I am not sure about that. This is more than an order in council, I will admit.

Mr. HANSON (York-Sunbury): I do not want to hold up this resolution, because I believe it is absolutely necessary that it go through, and in this form. Apparently the minister has not the information at the present time. Perhaps he would arrange to have it on the second reading of the bill, which might be brought on to-morrow; that would be satisfactory to me.

Mr. ILSLEY: I will have it by then.

Mr. JACKMAN: Do I understand that all the operating profit of the Canadian National Railways goes to the government? If so, will the minister tell me where I may find in the appendix to his budget address the amount of the operating profit which the railway paid over to the government, which I understand was about \$5,000,000?

Mr. ILSLEY: I will have to look that up. Could I do that on the bill, too?

Mr. JACKMAN: If the minister will give us the assurance that it is taken into account, that will be satisfactory.

Mr. ILSLEY: The hon. gentleman wants the reference to the place where the amount of operating profit brought into the consolidated revenue fund is shown?

Mr. JACKMAN: Yes. We can leave it for the time being. I just want the assurance that any operating profit goes into the revenues of the country during the year.

C.N.R.-Guarantee of Securities

Mr. HANSON (York-Sunbury): There is a further question. Assuming that an operating profit of between \$4,000,000 and \$5,000,000, was transferred to the government by the railway company, of course the actual money goes into the consolidated revenue fund, but how is it applied in the government books? It would be credited to the debits charged against the railway, but is it applied on interest owed by the company to the country, or is it in reduction of previous deficit accounts in respect of which so far as I know the railway now does not pay any interest? Is it applied to previous loans made by the country to the railway; is it applied to the interest on railway debts to the country, or how is it applied? This is the first time in twenty years I have heard of a payment of that kind being made.

Mr. ILSLEY: Could we deal with some of these matters on the bill? I have sent for some of the information.

Mr. HANSON (York-Sunbury): If it is convenient to the minister I shall be glad to do that. I think that is fair.

Resolution reported, read the second time and concurred in. Mr. Ilsley thereupon moved for leave to introduce Bill No. 124. to authorize the provision of moneys to meet certain capital expenditures made and capital indebtedness incurred by the Canadian National Railway System during the calendar year 1942, to provide for the refunding of financial obligations and to authorize the guarantee by his majesty of certain securities to be issued by the Canadian National Railway company.

Motion agreed to and bill read the first time.

SUPPLY

JAPANESE IN BRITISH COLUMBIA-STATEMENT OF MR. GREEN ON MOTION OF MINISTER OF FINANCE

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee of supply.

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, before the house goes into committee of supply I should like to say a few words with regard to the question of evacuating the people of Japanese origin from the protected area on the Pacific coast. I do so because the house will be adjourning within the next two or three days, and apparently we are to be away for six months. At the present time the situation is distinctly unsatisfactory. There are indications that the plans for evacuating these people from the protected area are breaking down, and I think the

[Mr. Jackman.]

house should have some assurance from the Minister of Labour (Mr. Mitchell) on this whole question before the British Columbia members go home.

I suggest to the minister in the first place that the time has come when there should be a deadline set by which time all the people of Japanese origin will be moved out of the protected area on the coast of British Columbia; and I suggest that this deadline should be not later than August 15. This protected area was set up, I believe, on or about February 2, and on February 26 provision was made by order in council that all people of Japanese origin must be evacuated forthwith. But although several months have elapsed, nearly half of them are still there.

The other day the minister gave us the figures as of July 18. They showed that as of that date there were still in the protected area 9,191 people of Japanese origin, out of a total when the evacuation was first ordered of 23,480. Of this number, as of July 18, there were 2,990 in the exhibition grounds in Vancouver.

Mr. MACKENZIE (Vancouver Centre): Was it not July 8?

Mr. GREEN: July 18.

Mr. MACKENZIE (Vancouver Centre): If my recollection is correct the dispatch was dated July 18, but the actual date was July 8.

Mr. GREEN: It was July 9; that is correct. There were 2,990 in the manning pool. which is really the exhibition grounds, and 157 in the immigration building, apparently about to be sent to an internment camp, while there were in the city of Vancouver proper some 6,044. Recently Vancouver was made the headquarters for the Pacific command. Our staff is there; it is the headquarters for the defence forces on the Pacific coast; yet these Japanese people are allowed to remain. Further, I have before me the issue of the Vancouver Sun for July 24, upon the front page of which is a photograph of a Japanese net-maker. The title over the photograph is "Harbour's an open book to him," and then below is "E. Hiraga, net maker." The article reads:

Two Japanese, one shown above, are working on Vancouver's waterfront beside a chemical factory, shipyard, large terminal and railway right of way. They are fish-net makers. They have worked in coastal waters for years, know the cargoes and ships. Above Jap knows all about newly launched freighters, calibre of guns on them and says: "A ship of that type doesn't need heavier guns, it needs more of them." B.C. security commission said to-day that all Japs would be prohibited from working in Vancouver from now on.

That position is intolerable and is causing bad feeling on the Pacific coast. There will be trouble if these Japanese are not removed from the protected area without further delay. Information given by the Minister of Labour is to the effect that it is expected the Japanese will be away from the protected area not later than the end of October. A few days ago the officials of the British Columbia security commission were quoted as saying that it would be by the end of November. I understand the United States have already moved all people of Japanese origin from the state of California. It is not right that Canada should be so slow in getting this problem settled.

Mr. MITCHELL: Where does my hon. friend get his information about the United States?

Mr. GREEN: From a newspaper dispatch.

Mr. ROSS (Moose Jaw): Did the hon. member say from the state of California or from the coast of California?

Mr. GREEN: It says from the state of California, but it may only be from the coast. I wonder if there is not a frame of mind developing that says, "Oh, well, there are only a few thousand; why worry about it? They are nearly all women and children, why not let them stay there?" I am afraid that is the attitude which is developing in Ottawa. I warn the ministry that it is not good enough, that that is not going to satisfy the people on the Pacific coast. In some parts of the interior to which Japanese have been moved they have gained the upper hand. The hon. member for Kamloops (Mr. O'Neill) told us the story some time ago, the substance of which was that the Japanese working on the highway from Blue River to the Yellowhead pass-by the way these are Japanese nationals, not Canadian nationals of Japanese originhad gained the upper hand and had been able to force the British Columbia security commission to promise to send them back to their families.

Mr. MITCHELL: Not to send them back; to unite them.

Mr. GREEN: They were supposed to be doing road work; now they are to be united with their families and the roadwork is to be stopped. I agree that they should be moved from that strategic point astride the railway, but this action does not fit in very well with what our men in the fighting forces have to face. They cannot stage a strike and demand that they be sent back to their families; yet that is just what these Japanese have accomplished.

Japanese in British Columbia

The government should take over direct control at once of the whole evacuation project. As members of the house know, months ago this was handed over to the British Columbia security commission which is really a group of civilians. The government passed the buck to that commission and it is still in control. I have said before and I repeat that the time has come for the government to step in and take control of this movement.

The government should set up a town or towns, say in Wainwright national park, to house those who have not yet been moved from the protected area. The United States have removed their Japanese to towns which have been built to house them. In my opinion that will have to be done by Canada soon or later, and the sooner we get it started the easier it will be. I understand the main objection is in connection with the cost, but it will be interesting to see what the British Columbia security commission is going to cost before it is through. I will be surprised if the cost does not run into many millions of dollars. The present policy of the security commission is to scatter these people all through the interior of British Columbia, but I think our best plan would be to follow the United States plan and set up a town or towns.

There should be some explanation by the minister as to why the government did not go ahead with its original plan to recruit a Canadian Japanese construction corps. On February 17 of this year an order in council was passed providing for such a corps. The plan was to allow Canadian nationals of Japanese origin to enlist in this construction corps which would be like a work battalion. Nothing has been heard of that plan since, and I cannot understand why it should have been dropped. If it were carried out it should be possible to get many of the younger men into a service where they could feel they were doing something for the country, and at the same time they would be taken away from the protected area on the Pacific coast.

I ask the minister to explain the whole situation to the house. As a member for one of the ridings on the Pacific ceast, for one of the Vancouver city ridings, I must insist that the protected area be made a really protected area and that the people of Japanese origin be moved out. This matter should not be allowed to drag on month after month until finally we find that we are left with several thousands of them still in the coastal area.

Hon. GROTE STIRLING (Yale): Mr. Speaker, the hon. member for Vancouver South (Mr. Green) has approached this question once more from the point of view of

Japanese in British Columbia

evacuation from the protected area, but there are a few words I should like to say from the point of view of what I might call the receiving end of this question. I represent a part of the interior of British Columbia into which these people have been allowed to seep during the past few months. I have little to add to the information I was able to give the house on the last occasion this matter came up except to say that there is more evidence that this seeping is going on. Quite recently a party of Japanese received permits from the security commission to go to the small mining town of Beaverdell in the Kettle valley, which is the valley to the east of the Okanagan. They left the train at Penticton and found their way up to Kelowna. Fortunately they were intercepted there, and the matter was dealt with by the commission. These people happened to be caught, and this, in my opinion, is evidence that this seepage into the interior is still going on. The hon. member, quoting from figures recently given us, says that there are six thousand odd Japanese still loose in Vancouver. That figure is arrived at by deduction. I maintain that included in that figure of six thousand are all those who foot-loose were allowed to seep into the interior of the country where they have squatted.

At the very beginning of this controversy, a very few days after the Minister of Justice (Mr. St. Laurent) had taken his seat in this house, I had occasion to talk over with him certain of the orders in council of whose administration he would have had charge, and I learned from him that the view he inclined to at that time was that this was a British Columbia problem. I demurred strongly to that view and advanced reasons why in my opinion it certainly could not be looked upon as a British Columbia problem. It was a Canadian problem. I am not aware whether the minister, having since been in closer touch with the problem, still holds that view or not. But I was somewhat shocked the other day when I heard the Minister of Agriculture (Mr. Gardiner) advance similar views. He went so far as to express sympathy for the vegetable growers of Ontario who were not particularly anxious that the Japanese should come in and help them in their work lest, after the trouble is all over, they should find them transplanted there. That is precisely the view that we in southern British Columbia take. Further than that, we have a considerable number of hundreds of Japanese there already. They have been resident there for some time, and we do not want them to be looked upon as the nest to which all these others will be attracted.

I do not know how the government divides on this question of whether this is a provincial problem or a national problem. I do, however, wonder whether, when settlement takes place eventually, the dominion government will then be ready to accept the view of British Columbia with regard to what some people regard as a provincial problem. If they do permit British Columbia to effect a settlement of this matter there will no longer be any trouble with the Japanese in Canada.

Mr. A. W. NEILL (Comox-Alberni): Mr. Speaker, nothing but a very strong sense of obligation would lead me to prolong debate in these dying hours of a session that died about four months ago, or should have, but I feel it is necessary to take this last chance to put oneself on record in trying to stir up the dead ashes of that section of the government which is dealing with this matter. We are going to adjourn for six months, after having sat here for seven or eight months, and if the same apathy which has characterized the government in dealing with this problem in the past is intensified I am afraid that when we meet in January next we shall be no further forward than now. We might reasonably expect to be worse off because the British Columbia members will not be here to stir up action.

It is perhaps unfortunate that under the rules and traditions of parliament, no matter who is to blame or what section is to blame for any ministerial or governmental action or inaction, there is always some minister who is ostensibly to be held responsible and to take the blame although he may be perfectly and entirely innocent. I have had and still have the greatest respect for the Minister of Labour (Mr. Mitchell), and I so expressed myself a few months ago; yet he is the man ostensibly with whom we must find fault and whom we must criticize in matters with regard to which he may be entirely innocent of blame. There is some element in the officials or in the government or in that other body called the British Columbia security commission-by some people called the "Japanese security commission"-which has resulted in unnecessary and unexplainable delay in handling this Japanese situation. The hon. member for Victoria, B.C. (Mr. Mayhew) and myself coming from Vancouver island need not, it might be said, interfere because we have discovered by investigations of our own that the Japanese have been almost entirely removed from Vancouver island. Yet we are members from British Columbia as well as members on the island, and we are not so far away but what we must as British Columbia men visualize the

4938

[Mr. Stirling.]

situation and what might happen if an attack were made on British Columbia, with all these thousands of Japanese already there to welcome them with open arms and afford most valuable local information as to where the guns are, where the place of attack should be and so forth. Therefore it is up to us to take some interest in the matter even if it obtains outside Vancouver island.

The other day I had occasion to advertise for a maid in a Vancouver paper, and therefore I came to look up its columns. I found that in the biggest paper in British Columbia 30 per cent of the advertisements from female help seeking work were by Japanese-Japanese maids, Japanese housekeepers, Japanese Canadians seeking work, and so on-and this is the place that we are trying to get them out of! This is the place from which it was decided to evacuate them. I should say that some of the trouble was on account of the fact that it was proposed originally to keep a large number of the Japanese women in Vancouver, in Hastings park. Later it was decided to change that policy, reunite these women with their families and put them in the towns. All these thousands of Japanese men and women are now in Vancouver conducting their businesses or working in stores, and displaying a more or less arrogant air whenever a Japanese victory is reported. Naturally that stirs up the people of Vancouver and they are very sore on the subject.

Vancouver is entitled to be considered, because in that town reside some 25 to 28 per cent of the whole population of British Columbia. The government have now changed their policy and decided to evacuate Vancouver as speedily as possible. Perhaps they are trying to do it rapidly. I doubt it myself, and the man on the street has got it into his head that there is a darned sight too much delay in doing anything. He is thoroughly convinced that the blame rests somewhere and is inclined to put it in the first place on this security commission, and after that, of course, to blame the government. That is what makes the people of Vancouver sore and makes them demand immediate action.

There is another set of facts which influences them. The government decided at the start to send a number of these Japanese to work on roads in the interior. They started some in the neighbourhood of Blue River and between Jasper and Kamloops. Unfortunately it was a road alongside a railway. The idea was good and seemed to be one that would get work out of the Japanese and at the same time allow them to keep themselves, and it would take them away from the coast, the danger zone. What happened? I blame the government or

Japanese in British Columbia

the commission. I suppose it was the commission because they were given a free hand to do what they liked. They acted, I will not say in a reprehensible manner but in an inappropriate manner, at all events. Would not common sense teach anybody who was putting two or three hundred of these Japanese into a camp, when you knew their char-acteristics and record, to put some kind of guard over them that would be at least reasonably effective? But what did they do? They put two or three men in charge of a camp. What was the result? The Japanese, not the white men, ran the camp. There were three men to guard a camp of three hundred Japanese. These men had, each of them, one rifle, and I suppose they all went to bed at night, or if they did not, there was only one man on duty. As I said when I spoke here before, it would be all right if it were a penitentiary, with a guard walking on the balcony; he could fire at a prisoner trying to escape and that would bring a host of guards around. But that could not be done in a camp where all these men are together; they might gather around the guard to see what time it was, or to light a pipe, and then stick a knife in him, and that would be the end of control there.

We made a fuss about the matter. Protests were made by members from British Columbia, and we were promised an investigation, which took place. In that regard distinct changes were recommended which were all to the good. It was proposed to put on more police, to have the mounted police there, and to put guards on a railway car which could run along the railroad and drop off at any camp where they were required. But there was one fault; they did not take these steps soon enough. The Japanese got complete moral control, and the most fatal thing you can do with regard to an oriental native race is to lose face. We were allowed to lose face. The guards arrested some ringleaders and proceeded to take them to the station, and a mob went down there and took the prisoners away from them. The police had to submit or there would have been bloodshed. Once get that idea in the oriental's head and you might as well retire from the scene altogether. Here is a news report:

Jap Strikes Bog Highway Construction.

Construction of a road from Jasper, Alta., to Blue River, B.C., is being discontinued and will not be resumed unless the federal government decides the highway is a matter of national necessity, a spokesman for the Department of Labour said Monday.

He said the discontinuance was forced by strikes and slowdowns among Japanese labourers who were protesting against being separated from their families.

The Japanese did not like the foreman; they did not approve the way he spoke to them, and therefore they had him fired. He could not get along with the Japanese, and accordingly the government fired him. Then these men staged a strike. The cooking was not to their taste. Then they staged a strike because they wanted to have their wives and it was decided that that could not be allowed. That was the government's policy, which I approve, but the Japs organized these strikes, and the government said: all right; we will turn you loose and put you among your friends; and the camps are to be closed. In one way the idea had merit, because it prevented sabotage on the railways, which were right alongside. But that was not the way the matter should have been dealt with. The law should have been enforced to begin with, and after we had proved that we were in charge, and not they, a change could have been made if it were considered to be wise. At any rate they are to be taken away and put in these ghost towns. It is rather difficult to know what they would do there, because after a town has been closed down since mining days, there remains nothing to do, there is no demand for labour, and it is difficult to see how they can employ themselves. In any event it would have this effect: it would take them out of the danger zone of Vancouver; it would remove them from the protected area, and it would not be any worse to have them in, say, Slocan, than in Vancouver, with the additional advantage that they were away from a danger zone where, in case of enemy attacks, they might communicate with their friends.

A good deal of the trouble comes from something which has been going on in British Columbia for fifty years. I refer to the total misapprehension and utter ignorance in eastern Canada of conditions in British Columbia as regards orientals, and several other questions as well. Some of the newspapers run columns headed "Forty Years Ago" or "Fifty Years Ago", as the case may be. Here is an excerpt which I picked out a few days ago, on July 23, taken from the records of a leading newspaper forty years ago:

Ottawa reported that the federal government was expected to disallow the act recently passed by the B.C. legislature providing for barring of Japanese immigrants who could not pass an educational test. A somewhat similar act had been disallowed a year before.

I was in the provincial house at that time it is a long way to look back—and voted for that bill. As far as I can recall, it passed unanimously, because it represented the outstanding wish of British Columbia. But although the province, through its legislature, [Mr. Neill.]

expressed itself in that way, the dominion government disallowed it. Had that bill become law, there would have not been any issue to-day in British Columbia on this vital question. Time went on and I came here; and as opportunity afforded, I advocated this point of view here and have been doing so for the past twenty years. As recently as May, 1938. I introduced what was almost a copy of the bill which was passed by the British Columbia legislature. I headed it, "Exclusion of Japanese Immigration by Providing an Educational Test". This is the same law as they have in New Zealand and as they have now in Australia, and, I believe, in south Africa. It has been successful and not at all provocative. The bill was brought up in this house, and the record is there for anyone to see, on May 31. The British Columbia mem-bers, as usual, divided their allegiance on political grounds, rather than provincial grounds as they should have done, and I got very little support from the Liberal members in this house, although two or three rallied round. Had the bill passed then, the situation would have been not quite so bad as it is now. But the time to have passed the bill was forty years ago, before the trouble began, or when at any rate there was very little trouble. and we would not have all these difficulties on our hands now.

I always have had the idea that if anyone rises in his place in this chamber and complains of conditions, it is up to him to suggest a remedy; it is not sufficient to say, "I don't like this", and "It is bad", and to damn the government. Anyone can do that. If things are not right, it is up to the member to make practical suggestions whereby such conditions may be improved. I should like to make some suggestions in this regard.

We do not want a British Columbia Hong Kong. We have heard enough on that disaster lately. I would urge the government not to allow a single moment's delay in clearing these people out of Vancouver. The hon, member for Vancouver South (Mr. Green) spoke about their being turned out in September and October. Yes, but I have a newspaper cutting in which it is stated that the government are going to get them out by December—next December.

Mr. GREEN: Every month it is one month later.

Mr. NEILL: It always keeps ahead a month or six weeks. "Man never is, but always to be blest". We are always going to get them turned out, but if the members from British Columbia go home where we cannot do any more, except by writing protesting letters and receiving stereotyped replies, what will

happen in the next six months? It will be strung out for another three months longer, and then another three months. The hon. member for Vancouver South mentioned, I believe, August 15. Without any collusion with him I was going to say, three weeks from now, but I have some doubt about how it can be done. If it takes from last December until now to turn out 3,000 how long will it take to get rid of the rest? My suggestion is, take it out of the hands of Mr. Austin Taylor and his confreres and put it in the hands of the military people, then it will be done. The military men are keen to go at it, in view of the present conditions. Therefore, I urge, take it out of the hands of the people who at least, no matter what reason they can give, have fallen down on the job, and put it in the hands of the military. Then it will be done; I do not think there is any doubt about that.

Let me make another suggestion. As hon. members have mentioned, a good deal of the trouble arises from the fact that these people are supremely unwelcome, wherever your propose to put them. I believe the minister said on one occasion that it is all very well to talk about moving them out, but where are you going to move them to, when every part of British Columbia, even perfectly safe places, objected to receiving them, and other provinces objected, for the first thing they said to themselves was, "If we"-in Manitoba or Ontario, or as the case may be-"accept this bunch of orientals, how are we ever going to get rid of them?", and the first thing they demanded was that the British Columbia security commission guarantee that these Japs would be taken back to British Columbia. But that is not what we want.

The remedy is a simple one: Let the government announce that it is the settled policy of the dominion government that it will use all the influence—the heavy influence—which it must possess at the peace settlement talks to provide that all these orientals from Japan shall be repatriated at the close of the war, whether they were born in Japan or in Canada, because those who were born in Canada have proved to be the more aggressive and the more dangerous. Let the government announce that that is their settled policy, and all the objections raised, even by the hon. member for Yale (Mr. Stirling) and by the people in Ontario, will disappear.

They do not mind their coming here because labour is needed and they would be glad to get them. These people have common sense enough to look ahead and to realize that once the Japanese settled in Manitoba or Ontario they might have a terrible job getting rid

of them. But let them know that there is a government guarantee that the Japanese will be taken away; let the people of British Columbia know that the Japanese will be expatriated after the war, and we shall be much more satisfied. If that were done, the difficulty would be much reduced. It may be said that we are only one nation, only one of twenty-six nations; how, therefore, can we be sure that any arrangement made will be carried out, or how do we know what arrangement will be made. Well, I am prepared to take a chance. If the Dominion of Canada-leader of all the dominions-declares it to be its avowed and pledged policy to strive by every lawful means in its power, when the terms of the peace settlement are being considered, to bring about the expatriation of these people, I will take a chance.

Another policy which I suggest would be most effective, looking at the scheme in its broader aspects, is this. It has been said in this house, and said most unfairly, that we must not talk like this. We must handle the Japs with kid gloves and not say anything harsh about them, or do anything harsh to them, because they might retaliate on our prisoners in Japan. Let me say that no one wants to do anything harsh to the Japanese in British Columbia. The diplomat repre-senting the Japanese—he came from Spain, I believe-went through British Columbia the other day accompanied by a Jap who acted as interpreter, and they expressed themselves as being satisfied with the manner in which we were treating the Japanese. We do not want to hurt them, and I say that for their own sakes the wisest thing would be for the. government to move them out of that area, because if some atrocity took place in Japan and stories got back here about prisoners being bayoneted and that sort of thing, there might be a riot in Vancouver and fifty or a couple of hundred Japs might be killed. That would have a very serious effect not only on our own men but on the Japanese themselves.

Next let it be known through the regular official channels that after the war these men —whether high or low—not only the individual man who does it, but those who instigate him, those who are really responsible for these atrocities of which we have heard, or may hear—will be given a fair trial. Let there be no suggestion of vengeance or retaliation, but let it be known that they will be tried for whatever crime they commit, murder or rape, as the case might be, just the same as we try Canadians for the same offences. Let it be officially made known to the Japanese government that at the end of the war anyone responsible for these bar-

44561-312

REVISED EDITION

Japanese in British Columbia

barities, cruelties and bestialities will be held responsible—not only the ordinary man, the ignorant soldier with his bayonet, but the men higher up who countenance these crimes. Let them all know that they will have to share the responsibility, and that will be apt to make them pause a while and think before perpetrating any of these crimes.

Lastly I have another suggestion to offer. Let the members from British Columbia get together on this question. There are sixteen of us, and though numerically we are not of great importance in a house of 245 members. nevertheless we are capable of bringing pressure to bear. Let us get together and in defiance of political affiliations, in forgetfulness of party, let us pledge ourselves to unite on this one subject alone and make it known that we will not rest until the problem is solved and the Japs are taken away from that war area. Let us pledge ourselves to see to it that their expatriation is assured. Let us stick together on that one thing and we shall not lose any votes. Rather, we shall have the good-will and the support of our respective followings, and we shall have done something worthy for the whole province of British Columbia.

To summarize, let it be the determination, the object of the members from British Columbia to put pressure upon the government to clean out that area of Japanese, all Japanese in the protected area on the coast, within three weeks, and to remove the British Columbia security commission. As a matter of fact, the chairman says that he wants to give up his position; he says he has a nobler job to go to. Let him go to it; all hail to him. Let us put a military man in charge, a man determined to do his job and not to swap platitudes with the other members of his staff. Let us also announce a policy, not of punishment or of vengeance, but of ex-patriation. The laws of nations are well known. One of the laws of nations says that you shall not treat prisoners in such and such a manner. Let it be known that those who encourage or allow their populace to break those laws will be held responsible, either as regards captured soldiers or as affecting civilians. Those are the points that I would press upon the government in all friendliness.

This is something bigger than a mere local issue. We are often told that it is petty and local. The minister said that it was British Columbia's funeral or British Columbia's responsibility. It is not. It is something away beyond that. It is a national consideration. The day may come; in fact the time is here now, when the situation is pregnant with difficulty for the whole national [Mr. Neill.] life, because British Columbia lies open to attack, and 23,000 Japs are right there to give the most valuable information to the enemy. They know who's who and what's what, and they can give that information in detail. It becomes us, not as politicians from British Columbia, but as men aspiring to act like statesmen, to deal with this question from a broad national point of view in order to get something done and to get it done quickly.

Mr. J. G. TURGEON (Cariboo): I wish to speak on this question of the Japanese in British Columbia largely from the same position as that taken by the member for Yale (Mr. Stirling). The Japanese are being moved from what has been declared the protected area of the coast into the southern portion of the Cariboo electoral district, particularly in the Bridge river country, in Lillooet, along the Cariboo highway as well as along the Pacific Great Eastern railway. I agree entirely that the first duty relating to the evacuation of Japanese is to take them out of that portion of Canada which has been declared by the military to be a protected area. I am not rising to criticize; I am rising rather to give publicly a warning to the minister which I have given him in personal conversations and in letters, both to himself and to the deputy minister.

These Japanese are being moved from a protected area into another part of Canada, which before very long will itself be declared a protected area. They must be moved; I agree with that, and that is one reason why I have not made any loud protests. They have all, I am told, been moved from Vancouver island, which I think was the first action indicated by the presence of the Japanese on the outbreak of war with Japan. They should next be moved from Vancouver city, and they must be moved somewhere. But we have to-day the danger of attack across Alaska and the Aleutian islands and the danger of attack across Prince Rupert, and when these points become nearer to absolute battlefields than they are to-day, then the task will have to be undertaken of moving from that area all the Japanese who are now being permitted to go into it.

I personally am a little afraid that some of the men talked of to-day by two hon. members, men who were taken from roadwork because they did not like the conditions surrounding that work, are being joined with their families in that interior portion of British Columbia which is soon going to be considered a militarily strategic area. There is great talk of building by the United States military authorities of the railway from Prince George to Alaska. If they build that railway from Prince George, the Pacific Great Eastern will be only eighty miles from it, at Quesnel. That railway runs to salt water at Squamish, and these Japanese are being planted right along the railway and along the Cariboo highway, the two routes that lead to Prince George and that military area on the north and west.

I agree with the hon. member for Comox-Alberni (Mr. Neill) that this is a national question. Possibly we from British Columbia are largely to blame for the fact that in general the people of Canada do not regard it as a national question, because we have always insisted on looking at it as a purely British Columbia problem. It is a national problem; I know the Minister of Labour (Mr. Mitchell) regards it as a national problem, but I am warning him that the people of British Columbia, those who are dissatisfied with the way the work of handling the Japanese has been carried out, are not to-day blaming the British Columbia security commission, they are blaming this government, and particularly the Minister of Labour. I am calling that to his attention publicly to make certain that he knows it, although I think he does.

I have nothing further to say except to reiterate that this is a national problem, that however you scatter the Japanese around different parts of British Columbia, you are going to find-at least I am very much afraid you are-that wherever they are put in that province within the next thirty days, you are going to find them in a battle area or a potential battle area. Therefore I urge on this government, on the British Columbia security commission and on all the people of Canada who are giving thought to the Japanese question that these Japanese be moved, not only to points in British Columbia away from the actual coastline, but into various parts of Canada wherever they can be taken.

I wish to join heartily with the hon. member for Comox-Alberni in what he said concerning what ought to be the attitude of Canada when we have won the war. We do not see much sign of winning it yet; but when we have won the war, what ought to be the attitude of Canada towards the Japanese now resident in this country? I agree with him wholeheartedly that one of the terms of peace imposed upon our enemies of to-day should be the taking away from Canada of all the Japanese who are here, and, of course, refusal to permit any more of them to migrate to our shores.

Mr. R. W. MAYHEW (Victoria, B.C.): A few weeks ago I received some correspondence from Victoria regarding the presence of Japan-44561-3121

Japanese in British Columbia

ese on Vancouver island. At that time I took the trouble to inquire from the mayor of Victoria and the mayors of other cities and towns in Nanaimo riding, and with the hon. member for Comox-Alberni (Mr. Neill) we found that as far as Vancouver island is concerned there appear-I say "appear" advisedly-to be only five Japanese left on Vancouver island, and that those five are married to white men. That statement has been given some publicity. In itself it is dangerous, because the authorities on Vancouver island may take it for granted that those are all the Japanese we have. I should be surprised-I should also be delighted-if that were the case, because there is ample opportunity for them to cache themselves away and to be of use when the time comes. I send out that word of warning at the present time.

As far as the handling of the Japanese is concerned it should be taken out of the hands of the security commission. It should never have been in their hands. It should never have been anything but the responsibility of this government to see that that situation was taken care of properly, and of course as humanely as possible. Speaking in this house some time ago I suggested that as far as possible the Japanese should be moved from their present places of abode in units of families, so as to keep their families together as much as possible.

I maintain that it is not a British Columbia problem only; it is a problem of all of Canada. It will never be settled until the other provinces are willing to take their full share and to admit the Japanese. Ten thousand or fifteen thousand Japanese in the city of Toronto would not be noticed there.

Mr. MacNICOL: The hon. member is very kind to Toronto.

Mr. MAYHEW: Well, you people in eastern Canada have been very keen to trade with the Japanese; you wished to cultivate their good-will so that you might sell your merchandise in Japan, and while you were doing that we in British Columbia had them as competitors—and they are not bad competitors at that; there are lots worse.

Mr. MacNICOL: The scrap iron went to them from British Columbia.

Mr. McGEER: Just as much went from Ontario. It went out through the St. Lawrence by the boatload.

Mr. MAYHEW: I do not interrupt others very often when they are speaking, and I should like to continue. I say it is definitely a Canadian problem. Let me give credit to the Hon. Mitchell Hepburn, he showed the right

spirit; he was willing to take some Japanese on his own place to work for him and found them good workers, and anyone who takes them will find them good workers. Certainly they are loyal to Japan. Would anyone of us who had lived for forty years in Japan be anything but Canadian? Do we expect more of them than we do of ourselves? We must accept that as a straight, hard fact and live up to it. The people of Canada must not say that there is an area into which the Japanese are not to come and another area into which they may come. Must we draw a line and say they can live on this side but not on that? It is absolutely silly. Scatter them through the whole of Canada as widely as possible and we shall not have any trouble. Some hon. members who have sons who may probably be fighting on the western coast of Canada before very long will then realize that it is their own problem, if these Japanese prove to be the fifth columnists who are the means of destroying those members' sons while they are fighting the Japanese. This is more than a British Columbia problem; it is a Canadian national problem, and this government should shoulder the total responsibility. It should not be on the shoulders of the Minister of Labour. He has enough to do with other problems. It is something far beyond that. It should be dealt with as something apart from anything else, a separate problem, and dealt with in a proper manner.

Mr. T. J. O'NEILL (Kamloops): I am fairly well in agreement with most of the things that have been said this afternoon, and more especially with the hon. member for Comox-Alberni (Mr. Neill) and the hon. member for Victoria, B.C. (Mr. Mayhew). In order to size up this situation properly as it exists, we should go back to last winter. Last January it became quite apparent that the Japanese must be moved out of the protected area of British Columbia, and certain regulations were drawn up. The Japanese were not to have automobiles or trucks or radios or cameras or firearms, and so on; and in addition there was a curfew set up, under which they were supposed to be in their place of domicile each day between sunset and sunrise. Many of us overlooked the fact that these regulations applied only to the protected area, but now we find that they are not being lived up to even in that area. A commission was set up, and I did not hear any violent objection to that commission on the part of any hon. member. Personally I was of the opinion that this was the proper way to handle the Japanese. I thought you would have British Columbia men right there on the job, and naturally I supposed they [Mr. Mayhew.]

would be just as much interested in having these Japanese moved out of that protected area in the shortest possible time as I would be if I were on that commission. Apparently it has not worked out in that way, and now I am in agreement with the hon. member for Victoria, B.C., that we should have some different system of handling these people than the British Columbia security commission, because they have not done the job; they have not moved the Japanese within anything like the time during which they were supposed to be moved.

Like the hon. member for Yale (Mr. Stirling), I come from a constituency which has been more or less on the receiving end of this movement. Some two thousand of these Japanese have been moved into the Kamloops district. I had no objection to their being moved into that district, because they were to be engaged on road building projects which I thought were in the interests of British Columbia and of the country as a whole. But in two different areas they are being handled in two different ways. In the Jasper-Blue River area they have had sitdown strikes and all the rest of it; they have done very little work and have caused no end of trouble. The principal reason for these demonstrations was that the men objected to being away from their families. Well, that is quite a natural feeling and is not confined to the Japanese. But as a locomotive engineer connected with railway construction in British Columbia, I spent many a summer away from my wife and family, not because I liked it but because there was no place for them in the district where the construction was being carried on; and it seems to me that at a time like this, when people, whether they are Japanese or white, are privileged to live in a country like Canada, they should have sense enough to realize that they are living in the best country on the face of the earth. Apparently the Japanese do not realize that. No one has ever suggested that the Japanese should be treated in anything but a British way. No one has ever suggested that we should ill-treat them, but certainly the Japanese should have to obey the law like everyone else in this country. What would we say of a man in a munitions factory who was always stirring up trouble, trying to bring about strikes and all the rest of it? We would put him in an internment camp, or in gaol, and why should we give any different treatment to a Japanese who will not obey the laws of this country?

That is the condition which has obtained in the Jasper-Blue River area, and what are the commission or the government going to

Japanese in British Columbia

do about it? In my opinion they are taking exactly the wrong step; the Japanese are going to run the camp now. I understand they are going to move those fellows out of there and take them back to their families. That is what they have been asking; now it is going to be done, and the work will be shut down.

Mr. MARTIN: How many have been interned?

Mr. O'NEILL: I do not know.

Mr. MITCHELL: About six hundred.

Mr. O'NEILL: In the Revelstoke-Sicamous area there are 502 Japanese on road work, but they are doing an excellent job in fixing and straightening the trans-Canada highway. There has been no trouble at all, and the mayor of Revelstoke says they are just as lawabiding as any citizen anywhere in Canada. Why can we not have that situation in the Jasper-Blue River area? It is all a question of management. If you can have proper conditions in one camp, under proper foremen, then I say, if you cannot have the same conditions in another camp it is up to you to change the management. The British Columbia security commission have been responsible for the difficulty. They have permitted these conditions to go on. They have taken the line of least resistance, anything at all to get by. Like the hon. member for Victoria, B.C., I say now that the matter should be taken out of the hands of this commission and that it cannot be taken out of their hands too soon. Last spring we were told that every one of these Japanese would be moved out of the protected area by the end of April. Then we were told it would be done by July. Now the government say it will be October, while the British Columbia security commission say it will be November. I am told that those men who objected to doing any work in the Jasper-Blue River area have been moved back to Vancouver and reunited with their families. I do not know whether or not that information is correct, but that is what I am told.

I do not think there is very much more I could usefully add to this discussion, but I do believe something must be done. As the hon. member for Victoria, B.C., has said, in the last analysis the government must take the blame for what has happened, and unfortunately the blame is going to fall upon the Minister of Labour (Mr. Mitchell). I do not want to have that happen, because I believe the minister is honestly trying to make a success of his job, and I do not wish to see him saddled with something for which

he really is not to blame. But he will have to stand the blame, and I think the government is very foolish to allow the Japanese to dictate the manner in which they are going to be handled in this country.

Mr. G. G. McGEER (Vancouver-Burrard): Mr. Speaker, I am not in agreement with the policy of the government in dealing with the Japanese situation, nor can I subscribe to all the respresentations that have been made by British Columbia members to-day. From the very beginning my representation to the government has been that our attitude toward the Japanese in Canada should be exactly the same as the attitude of the Japanese toward Canadians in Japan. I cannot bring myself to believe that there are any Canadians or Britishers running free in Japan to-day; and you are not going to solve this problem to the satisfaction of the people of British Columbia or for the safety of the people of Canada until you put all the Japanese under proper control, which in my humble opinion means under proper internment camp supervision. You may save a little money by having them work on the roads; you may save a little money by letting them go free in the communities in the interior of British Columbia, but it is nearly time that we began to think of all phases of this war, not in terms of saving money but in terms of establishing security at home and getting on to victory abroad.

This is just another instance of what has gone before. It is another instance of the government putting money first, things next and the security of the people last. There is no more unfortunate example of this kind of thing than taking Japanese from the coast of British Columbia and distributing them to points where in my opinion they are even a greater menace than they were when on the coast. I have made these representations before, and I make them now in all seriousness to the minister. This is one problem which is not a British Columbia problem, it is a Canadian problem and a much more serious Canadian problem than the government of the day seems to acknowledge.

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Speaker, first of all I want to acknowledge the kindly references to myself which have been made by hon. members. With all the sincerity of which I am capable I wish to say that I believe we have done a good job in the removal of Japanese from the coast of British Columbia. It is not the easiest thing in the world to move 25,000 people from one part of this dominion to another. The British Columbia security com-

Japanese in British Columbia

mission is composed entirely of British Columbians of all political stripes. It was approved by this parliament, and I think it received the general approval of the people of British Columbia. I am going to say what I have said before; it is a wonder that we have been able to move a single Japanese from the coastal areas of British Columbia because of the attitude taken in certain quarters toward the Japanese themselves. There may be something in the argument of the hon. member (Mr. McGeer) who has just spoken, that these people should be interned, and there may be something in what the hon. member for Vancouver South (Mr. Green) said, that we should establish a ghost town on the prairies.

Mr. GREEN: It would not be a ghost town.

Mr. MITCHELL: It would be almost a ghost town.

Mr. NICHOLSON: How many Japanese would there be?

Mr. MITCHELL: About 24,000. That would mean a city almost as large as Brantford or Saskatoon or many other cities in this dominion. I do not need to tell this house that such a plan would not be free from complications. It would probably create problems which would be more difficult than the ones with which we are dealing at present.

We have already removed nearly 16,000 from this area. All have been removed from Vancouver island, and those left in Vancouver at the moment are mainly women and children. children under the age of eighteen years. I do not think we have reached the stage where the Canadian people, or the people of Vancouver, consider that a serious problem exists because they are confronted with women and children, whether they be Japanese or any other race. I should like to pay a tribute to the Royal Canadian Mounted Police. It is not only people of Japanese origin who are roaming through the country, but the fact remains that to date there has not been a single instance of sabotage that I know of.

Mr. GREEN: Not time yet.

Mr. MITCHELL: I appreciate that, and I was going to cover myself by saying that. I am not holding any brief for these people, but it must be remembered that many of them are Canadians, in fact perhaps more Canadian than myself. I was born in Great Britain, whereas many of these people were born in Canada and went to school here. The

[Mr. Mitchell.]

police say that they are the most difficult to deal with, more difficult than those born in Japan who are largely of the peasant type.

Mr. McGEER: The Japanese who were born here are worse than those born in Japan.

Mr. MITCHELL: I have just said that.

Mr. McGEER: More loyal to Japan.

Mr. MITCHELL: I do not know about that, but they are proving more difficult to deal with. The hon. member for Kamloops (Mr. O'Neill) has referred to the Jasper-Blue River highway. These people were put in there because a demand was made for the completion of that highway. During the last six months I have had a good deal to do with industrial matters in many areas. I am not going to suggest to this house, nor do I think any hon. member would suggest that large industrial undertakings can be carried on without some degree of friction, even when carried on by free men. These particular people stand in a different position from that of men who are employed by a contractor. If a man who is employed by a contractor does not behave himself he can be fired and he goes on his way. But you cannot fire these people. It is quite true that in the early days of the construction of this highway there was some difficulty, but you have difficulty everywhere. There was no greater difficulty than would be encountered in the average construction undertaking. It is true they staged a sit-down strike and I believe about 400 odd have been interned, but if you want a highway built, and apparently the people in these localities wanted this one built, you must be prepared to put up with the type of inconvenience that sometimes occurs on construction jobs whether they are being done by Japanese nationals, by Canadians of Japanese origin or by people of the other racial groups that go to make up this great dominion. I have received protests from city councils against the stopping of this highway work in which these Japanese are engaged. I should like to quote an editorial which appeared in the Revelstoke Review of July 23, 1942, as follows:

West Road Camps

Disturbing rumours that the Japanese camps on the west road are to be closed down were aired at Monday night's joint meeting of the city council, board of trade, junior board of trade, and Canadian legion and the unanimous opinion was held that the work was proceeding well, that there was no dissatisfaction over the conduct of the Japanese and that the camps should remain in operation until the end of the war or until such time as the Japanese can be employed on some more productive undertaking.

The Japanese are doing an urgent piece of work well. The government has established camps at considerable expense. At the same time the provincial department of public works has provided ample machinery to make possible a high class road improvement job.

There does not appear any logical reason for the removal of the camps from this district, but many good reasons why the money already spent should be utilized to the fullest extent by keeping the men on the job.

keeping the men on the job. Incidentally if the Hope-Princeton project is unable to absorb all the men from the North Thompson, several camps could be located on the Arrowhead-Nakusp highway route to speed the construction of a highly important road link.

You see you get these different opinions. You must decide whether you want to construct one of these towns referred to by the hon. member for Vancouver South, or whether you are going to disperse this labour force across the country in order to assist in the acute labour situation that now exists. They have done an excellent job in the beet fields of Alberta and the minister of agriculture of Manitoba has made the statement that if it had not been for Japanese labour, they would not have been able to harvest their crop. Reference has already been made to the fact that the premier of Ontario has a number of Japanese farm workers in his employ. Until the present policy is changed I think we shall have to continue with what has been established and use these people in the most productive types of employment it is possible to procure for them. I think in that regard we have made a positive approach to the problem because we have moved from fifteen to sixteen thousand Japanese with very little difficulty, and with credit I think to those responsible for this movement.

Mr. NEILL: Would the minister give us his views on expatriation?

Mr. MITCHELL: I shall be glad to do that.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. MITCHELL: Mr. Speaker, just before the dinner recess I said that I would endeavour to answer some of the questions put by hon. members with respect to the removal of Japanese from British Columbia.

Two days ago I met all the hon. members from that province and gave them a statement with respect to the numbers already removed and the anticipated policies of the government to clean up the situation. I do not know

Japanese in British Columbia

that it is necessary for me to place that statement on record, but if it is thought advisable, with the permission of the house I will do so. It is fairly well up to date, although since it was prepared the figure has been reduced to 8,827, some 300-odd additional people having been moved.

Mr. GREEN: Up to what date is that?

Mr. MITCHELL: That is up until yesterday. Of the 8,827 yet to be evacuated, approximately 3,000 are in Hastings park, leaving 5,800 in the city of Vancouver, practically all of whom are women and children.

Mr. GREEN: According to the minister's own figures, about 1,000 are men.

Mr. MITCHELL: But 800 of those are physically infirm and unemployable. Only 154 over the age of eighteen are employable; they have been left because of conditions in their own homes, whether because they have invalids there or for other reasons, and so far it has not been felt necessary that they should be removed.

Mr. CRUICKSHANK: Will the minister permit a question? Do I understand him to say that all the men over that age are cripples?

Mr. MITCHELL: Yes-unemployed.

Mr. CRUICKSHANK: No, but are they unemployable? What does the minister mean by "unemployable"?

Mr. MITCHELL: I think an unemployable man is one who cannot follow gainful employment, be it on a farm or in a road construction camp. That is how the word is generally understood. There are 154 employables in the group.

Mr. GREEN: Those men would have that much more time to do fifth column work.

Mr. MITCHELL: That may be true, but I say frankly to my hon. friend that I am not afraid of the situation in Vancouver.

Mr. GREEN: That is why we are worried.

Mr. MITCHELL: So is everybody else worried. Let us be realistic about this matter. As I have said many times before in this house, you want these people evacuated. Your own commission of your own people in British Columbia—

Mr. GREEN: Your commission, not ours.

Mr. MITCHELL: Well, it is a commission of British Columbians, made up of people of every political party, approved by this parliament and by the people of British Columbia. They have moved with as much expedition, in my judgment, as is humanly possible in removing these people from British Columbia.

Mr. GREEN: When will the last Japanese be out?

Mr. MITCHELL: I do not know. I am not a prophet. I should like to be able to say when the war will be over.

Mr. GREEN: That has nothing to do with the matter.

Mr. CRUICKSHANK: Will the minister permit a question?

Mr. MITCHELL: If my hon. friend will wait until I am through I shall be at his disposal for just as long as he likes.

Families have been settled in Greenwood. Slocan, Sandon, Kaslo, and on a ranch fourteen miles from Hope, British Columbia. The four places first named were abandoned mining towns. Abandoned buildings are being used, and in addition a thousand tents are being erected which, it is estimated, will be able to accommodate 6,000 people. In addition, frame houses are being put up. In fact we are utilizing some of these mining towns which an hon. member from Vancouver spoke about this afternoon. It is felt that those who have families could be moved as family units on to farms in other provinces east of the Rockies. We have removed all ablebodied Japanese from points considered especially vulnerable, and when I say "all able-bodied Japanese" I might also include many others. The evacuations to the interior towns of British Columbia the commission hope to accomplish in the not very distant future.

This, I would say, constitutes what might be called the first two steps in the movement. The next step is to complete the placement of the man and woman power represented by these people where it will be of use. I do not intend to rest content with a plan which simply means moving them to a new location and letting them live there at the expense of the rest of the population of this dominion. We have been urged to intern all the enemy aliens. This would mean the establishment of internment camps for 23,000 people, of which I spoke this afternoon. I think I may say that this would be contrary to the policy of the government at the present moment. We do not intend to intern these people unless some action on the part of a particular individual makes it necessary to intern him. To date it has been necessary to intern some 465 males who had a part in some of the strikes mentioned by hon. members this afternoon. In addition to the fact [Mr. Mitchell.]

that internment is entirely contrary to the government's policy, such action on our part would result in harsher treatment of our own people who happen to be prisoners of the Japanese. The cost of internment, as my hon. friends will understand, would be almost staggering, notwithstanding the opinions of one of Vancouver's representatives this afternoon.

What, then, is the policy? It is simply to move these people into other parts of Canada where they can be used to advantage as productive man-power. Recently we had sent out by the labour department through the mailing list of the Winnipeg Grain Grower's Guide a circular letter to 150,000 farmers in western Canada making available to them these Japanese farmers of whom I have just spoken. I do not intend to read the letter, but if any hon. members wish to see it I shall be glad to show it to them. I think that as a matter of record, to point out what these people can do, if it were not for the pressure under which we are working at the moment it would have been well to place it on Hansard.

Criticisms this afternoon and at other times have been voiced with regard to the delay in getting all these aliens out of the areas spoken of by my hon. friends. We have been told this afternoon that we have not done as quick or as thorough a job as has been done in the United States. In the United States the problem is very much greater than our own. The estimate given before the select committee investigating the matter at Washington was that there is a population of 384,000 Japanese to be dealt with in that country.

Mr. GREEN: That is not correct.

Mr. MITCHELL: That is the record; let it speak for itself.

Mr. GREEN: What record is that?

Mr. MITCHELL: I have not seen any official figures as to the numbers evacuated. The leader of the opposition (Mr. Hanson) mentioned that 100,000 have already been moved, and I have no doubt that those figures are reasonably correct.

Might I say, in passing, with regard to the movement in the United States that it was not undertaken without some criticism. To those hon. members who voiced criticism this afternoon—and they have a perfect right to do so; that is the basis of this institution— I say that the criticism in the United States has been far more vigorous than criticism in this country, and I believe, although this is a matter of opinion, that it has been largely brought about because of the fact that the

• 4948

United States authorities have attempted, at enormous cost, to establish towns in certain states of the union. One hon, member spoke this afternoon of the expense of these operations. Of course it is expensive to move people; this movement has been expensive, in spite of the very economical way in which we have proceeded. If we put our expenses against the amounts spent by the United States, the cost of moving this body of people will bear favourable comparison with theirs. The figures I have given would indicate that the evacuation of Japanese in the United States is about one-third completed. We have fewer than 9,000 out of 23,000 to evacuate.

Mr. GREEN: On that point, I do not think the minister should quote figures without telling us his authority, because I understand that there are only slightly over 100,000 Japanese in the United States.

Mr. MITCHELL: We got the figures from the select committee in Washington, and I do not know of anything more authoritative than that. I believe there are 384,000 there, but if my figures are incorrect I will not quarrel. I believe someone says 60,000. Well, I will not quarrel about the figures. I believe the British Columbia security commission has dealt with a difficult problem very well indeed. All the criticism comes from British Columbia members; yet the men who are handling the affairs of the British Columbia security commission are prominent citizens of that province, and when British Columbia members criticize them they are criticizing citizens of their own province.

Mr. NEILL: We did not appoint them.

Mr. CRUICKSHANK: It does not necessarily follow.

Mr. GREEN: The minister's statement is pretty far-fetched.

Mr. MITCHELL: You have to choose your weapon. You cannot switch from the British Columbia security commission to some other authority when it comes to responsibility.

Mr. GREEN: That is what the government has been doing.

Mr. MITCHELL: I shall come to that in due course. I will not let that pass by either.

Mr. STIRLING: Perhaps the minister will permit this observation, that those who have made representations to the British Columbia security commission are also citizens, and responsible citizens, of British Columbia.

Mr. MAYHEW: May I say that one of our complaints is that the people in the rest of Canada are not taking any interest in the matter.

Japanese in British Columbia

Mr. MITCHELL: Perhaps I can put the matter in reverse. What the hon. member for Yale (Mr. Stirling) says is quite true. Many of the representations made to the British Columbia security commission have been made by British Columbia citizens. May I say with all due respect to those who made the representations that in my opinion the commission showed some courage in undertaking to deal with what everybody admits is a very difficult situation. I may say frankly, as far as I am concerned, I do not think I sought the job of removing 23,000 people from British Columbia. Let us be fair to these people and give them the credit that is their due for having, first, assumed the responsibility and, second, for having undertaken a very difficult task and carried it out in so humane a way.

Mr. GREEN: Do I understand that the government is declining to take over direct responsibility for this evacuation, that it insists on leaving it with the British Columbia security commission?

Mr. MITCHELL: I cannot speak for the government at the moment. At present the British Columbia security commission is in charge of the evacuation, subject to certain qualifications as to decisions made by me with respect to expenditures and other matters of that kind.

Mr. FRASER (Peterborough West): Surely the minister, who is at the head of it—

Mr. MITCHELL: You do not need to worry. I will take responsibility.

Mr. FRASER (Peterborough West): But you said you did not know.

Mr. MITCHELL: If you are worried about who should be responsible in the final analysis, I may say that I will take the responsibility.

Mr. FRASER (Peterborough West): That is what we want to know.

Mr. MITCHELL: It has been suggested to me that the department could have handled the matter more expeditiously as a departmental affair. I do not know whether this was intended as a compliment or not. The British Columbia security commission was appointed largely to satisfy the demands of British Columbia. Those who criticize the commission because of delays have not given sufficient study to the matter, nor do they realize that some of the steps taken are simply progressive steps. First we moved the male adults to boarding cars. Hon. members will remember the incident when we first undertook the job, when the snow was on the

Japanese in British Columbia

ground. We moved the males out in order to satisfy opinion in British Columbia. Second, we moved the women and children and the families from vulnerable points to Hastings park, and, next, the families to interior housing towns; and lastly we proposed to move the families to the farms.

I do not intend to take up any more of the time of the house. I reiterate what I said at the opening of my remarks. I know this is a difficult operation, and by the very nature of things, when we are pulling up by the roots people who are not only of the first but of the second and perhaps the third generation in any community, we are faced with a considerable problem. I will voice the opinion I expressed before, that as far as I am personally concerned, while I am charged with this responsibility, it is going to be carried out in the British way and these people will be treated as human beings.

Mr. NEILL: Nobody suggested otherwise.

Mr. GREEN: No one has suggested anything else.

Mr. MITCHELL: Let me finish. Other hon. members have expressed the opinion, and so have I, that whatever action we may take we should be careful not in any way to endanger the position of our own flesh and blood who are at present prisoners in Singapore and Hong Kong. I was gratified after leaving the house this evening to read in the evening newspapers a report with respect to the 1,577 Canadian prisoners at present in Hong Kong. I quote:

A total of 1,577 Canadians of all ranks in internment camps in Hong Kong are in good health, according to a press statement issued by the Department of External Affairs to-day.

A telegram outlining conditions in prisoners of war camps at Hong Kong has been received from Geneva by E. L. Maag, delegate of the International Red Cross Committee. It states that conditions regarding housing, food, clothing, hospitalization, dental care, recreation, library and religious life, appear to be satisfactory. Of the total of 1,577 Canadians in camps, 65

Of the total of 1,577 Canadians in camps, 65 were officers, 310 non-commissioned officers and 1,202 other ranks.

1,202 other ranks. Camp Northpoint, where many Canadian prisoners are interned, particularly gives the impression of order, cleanliness, discipline and good humour, according to the telegram. Many of the prisoners show appreciation of good treatment.

At a hospital at Bownroad, containing 248 hospitalized, and at the St. Therese, where 69 are hospitalized, it is reported excellent conditions exist as well as competent medical personnel.

Clothing furnished by Japanese authorities is now plentiful, according to the telegram. For needs in winter, clothing could probably be bought locally.

Officers in the camps receive pay according to their rank, and furniture, food and clothing [Mr. Mitchell.] provided by authorities make life easier. Noncommissioned officers have need of subsidies of 20 yen per month, the telegram said.

There is another item with reference to Shamshuipo. The thought I want to leave with hon. members is this. I am sure they all appreciate the difficulty of this undertaking. The hon. member for Vancouver South (Mr. Green) asked why we had dropped the idea of a Canadian construction corps. We did so because we felt that in moving these men to the Blue River-Jasper highway, that was in effect a corps in itself. We felt that, owing to the fact that we moved the able-bodied men so expeditiously to road camps and other productive employment, it would be unnecessary to establish that corps.

It has been said by someone that the government passed the buck. That, I think, is not a fair observation. I have already stated that there is no indication of that. It has been said that the plans have broken down. There is absolutely no substantiation of breakdown of the movement of these people from the coastal areas of British Columbia. This news item. which I sincerely hope is true, indicates that we have at least approached this policy in a manner that will produce the most good to our own people and in Hong Kong and that when this war is over it will be said about us that we acted decently in a very difficult situation in dealing with these Japanese nationals and people of Japanese origin.

Mr. NEILL: The minister promised to deal with repatriation.

Mr. MITCHELL: Of course I cannot speak for the government. As an individual I share the view of my hon. friend. But remember this, we must win the war first, and then we can decide what we are going to do with this very difficult problem.

Mr. GREEN: Has any attempt been made to arrange for the exchange of Canadian and Japanese nationals? There are many Canadians in Asia under Japanese control, and we have many Japanese nationals in Canada. Why is it not possible to arrange some exchange?

Mr. MITCHELL: I think my hon. friend asked the same question of the Prime Minister, and he said that might be dealt with under external affairs. I am not close enough to the subject to answer for the Prime Minister.

Mr. G. A. CRUICKSHANK (Fraser Valley): I am sorry I was not here this afternoon. In spite of what the leader of the opposition (Mr. Hanson) might say about going home to-night there were things I had to do on that account.

There are a few things I should like to take up with the minister. He remarked to-night that a commission was appointed composed of responsible British Columbia citizens. With that I have no quarrel, but I would ask the minister whether any British Columbia members who are familiar with the Japanese situation made any recommendation as to the composition of that committee. I know they did not.

I will point out how important this matter is to that province. I have here a couple of files on the matter, and I could bring many more that I have as a British Columbia member in connection with the Japanese situation. Just to-night one hon. member said that we are wasting time on the Japs. Another remark was that the member for Fraser Valley wanted to get his name in the papers. I do not have to worry about getting my name in the papers. If you stick up for your riding and for your dominion and for your empire, your name will get in the papers. As for wasting time on Japs, we talked for two or three days about something that did not amount to a hill of beans, an inquiry about something that happened in the past. It may be that mistakes were made, maybe not. Any hon. member who speaks of wasting time on the Japs should read the headlines or listen to the radio. What happened this morning to the Japs off Australia? We were told in this house, particularly from the Cooperative Commonwealth Federation, that when we from British Columbia brought up the Japanese situation we were stirring up racial hatred. We were told that it did not amount to anything. Where are the Japs on the Aleutian islands to-day? What advances did the Japs make yesterday? Read your headlines in this morning's papers or listen to your radio. Then we are told we are wasting time.

This is one thing I cannot understand. To-day we are fighting for our very existence, but we can waste a great deal of time in talking about wheat, or about Hong Kong after it is over, but we cannot spare any time to speak about the Japanese when they are advancing every day in the Aleutian islands and elsewhere. Here is something from the Vancouver Province, one of the largest newspapers in Canada, under date of April 27 last: "Japs stage food strike at Hastings". The same day that was brought up in the house by the member for Fraser Valley who pointed out that the chairman of this so-called British Columbia security commission said, "Just a playful gesture". And the Minister of Labour (Mr. Mitchell) accepted it. It was a gesture on the part of our most

Japanese in British Columbia

dastardly enemy. I am not criticizing the Minister of Labour. In my opinion the two ministers who have the worst jobs at the present time are, first, the Minister of Finance (Mr. Ilsley), because no matter whom he taxes he is taxing the wrong man, and, second, the Minister of Labour. I am not criticizing the Minister of Labour with regard to this matter, but I am pointing out as a British Columbia member that only about half a dozen British Columbia members brought this question up on the floor of this house and only the same number forced this government and this house to make the slightest move in connection with the Japanese. Make no mistake about that. I do not need to mention their names; I must say that they were not all Liberal members, but there were certainly no Cooperative Commonwealth Federation members among this number.

I wish to read from the February 23 issue of the Vancouver Sun, another responsible newspaper, from a writer who is known not only in Canada but in the United States and the British empire, Bruce Hutchison:

Sit down, Nero, and be comfortable! Ottawa, Feb. 23.—Nero would be quite at home in this capital to-day. He should bring his fiddle with him. The capital is about to debate in secret

session the question whether Canada should defend itself. This, while Japan is sweeping across the Pacific world and for mere selfprotection must soon strike northward toward Alaska.

Yes, parliament is about to ask the government whether it wouldn't be a good idea to do might not use our idle army to repel attacks on Alaska, which is the stepping-stone into British Columbia.

I could go on, but one thing I want the minister to tell me. I have to tell the people of my riding and the people of British Columbia. I spent three days here, stayed over to listen to a useless and endless debate on something that happened in Hong Kong. There is no part of Canada more vitally concerned with Hong Kong or the orient than British Columbia. I have to go home to my people and explain why these people are allowed there. It is all very well for some hon. members from the maritimes to smile; I have no objection to their wanting everything possible done to defend their coast, but how would they like ten thousand poten-tial fifth columnists in their district?

According to a letter I have from the timber controller, one of our greatest shortages in Canada is in timber. It is all very well for an hon. member from the maritimes again to smile. He was put in his place the other night by a Conservative; and if a Conservative can put him in his place, certainly a

Japanese in British Columbia

Liberal can. We in British Columbia do not grow these little toothpicks of trees; we produce 75 per cent of the timber going to Great Britain to-day; but according to a letter I have in my office from the timber controller, there is a great shortage of timber, and I do not know how they are going to meet the requirements of Great Britain. Yet under this so-called security commission we have Japanese working in sawmills in the city of Vancouver, right in the heart of the lumber district. Apparently nothing is being done to remedy that situation by this commission, for which the government must accept responsibility.

Mr. MITCHELL: If the hon, member has any information of that kind I should like to have it, and the matter will be looked after.

Mr. CRUICKSHANK: I did not want to take time to go into all this, but if the minister wants this information I can give it to him. I have here a picture in the Vancouver Sun. What about this? This is the second largest paper in British Columbia, and this photograph shows two Japanese. Underneath, it says:

Working in an important Canadian war industry are these two Japanese caught by the Vancouver Sun camera man, Friday. They are piling lumber in a big mill in the heart of Vancouver's industrial centre. The Canadian workers at the plant resent the presence of the Japanese—

I want to bring out that point particularly. We say we do not need conscription; that we can get all the recruits we need by the voluntary method. What am I to say; what is any other member from British Columbia to say now, in the face of this situation?

Mr. FRASER (Peterborough West): What is the date of that newspaper?

Mr. CRUICKSHANK: July 18.

The Canadian workers at the plant resent the presence of the Japanese and in one department the men have threatened to walk out if any Nipponese are allowed in. In this picture Susumu Kozai helps his father, Tomi Kazai, place some lumber on a pile. There are a number of Japanese families still living in this industrial district.

It is the duty of the government to take steps in this matter. What if there should be fires in the great lumber districts of British Columbia, while we as a parliament have permitted the Japanese to remain in those districts? As a private member from British Columbia I want to support what was said by the hon. member for Vancouver-Burrard (Mr. McGeer), in what I think was the best and greatest speech made in this

[Mr. Cruickshank.]

house, since I have been here, by anyone coming from that province or elsewhere. What will be our responsibility not only to British Columbia, not only to Canada but to the empire if we sit back and permit Japanese to work right in our lumber industry? I could go on and give a great many more details, but I do not want to take the time. I do not want to say that I did not intend to take part in this debate, because that is said by almost every speaker who rises in his place. But everyone would think something was wrong if the member for Fraser Valley did not have something to say when the Japanese situation was under discussion. I do not wish to give free advertising to any particular newspaper, but this is something else from the Vancouver Sun:

The British Columbia security commission charged with the removal of all Japanese from this area, to-day refused to divulge information as to whether the Japanese reported working in this city were still at their jobs or if they had been removed.

When called by the Vancouver Sun, one of the employees of the commission stated that in future "all press information will be in the order of a written release."

order of a written release." "We will not give out information when telephoned for it," he added.

The point is that while I do not know who is responsible, or why it was done, I know definitely that the Japanese have been permitted to keep on working in the sawmills of British Columbia. The minister cannot deny that. The war news has been bad during the last few days. If we have not been able to move 25,000 people in the months since Japan went to war with Great Britain. how in the name of heaven are we ever going to win this war? From what was said by one minister of this government, I understood this to be his position; if we move the Japanese into the vegetable-growing districts of Ontario, they will gradually take over until eventually they will have control. Read Hansard to-morrow and see if that is not what was said. Well, Mr. Speaker, if the defence of Canada means no more than the selfish interests of any individual part of this country, we have a long way to go.

We are not asking the government to move the Japanese on account of the province of British Columbia. We do not need to worry; we are, or at least we think we are, a part of Canada, though we do not get many war contracts out there. But to me it seems ridiculous that the government should refuse to move the Japanese. I know the minister from British Columbia has been doing his utmost to have this Japanese problem handled properly. He may be more limited than I am in what he can say—

Mr. BENCE: That is quite definite.

Mr. CRUICKSHANK: Yes, that is definite; nevertheless he has worked tooth and nail in an endeavour to solve the Japanese question properly. But a minister of this crown has asked: Why should we move the Japanese? Why should they be brought to Ontario? That is a British Columbia problem; you brought them in. Those words were uttered by a minister of the crown. If I am not mistaken, they were uttered by the Minister of Labour (Mr. Mitchell), but I may be corrected if I am wrong. It is said that we brought them in, but since when has British Columbia had anything to do with the immigration laws of the Dominion of Canada?

Mr. MITCHELL: I never said anything of the sort.

Mr. CRUICKSHANK: All right; then I am corrected. The Minister of Labour did not say that, but another minister did. If we only had to worry about the ultimate disposition of this Japanese problem by the Minister of Labour we would not have any worries at all. He thinks exactly as the member for Fraser Valley thinks, and I think the hon. member for Vancouver Centre (Mr. Mackenzie) thinks the same. I think he would say what I am saying if he were not in his responsible position, and naturally unable to speak as freely as a private member.

I have to go back to the people in my riding and tell them what is going to happen as far as the Japanese are concerned. We have dawdled around about the Japanese the same as some hon. gentlemen have dawdled around about the war. We cannot dawdle any longer. For the last two or three days we have listened to an exhibition of politics; we have had legal advice from some from the city of Toronto, but I do not know what is to be done with the Japs on the coast. I have to go back to my riding and tell the people what the government is going to do, and I am not satisfied to wait until November for the Japs to be removed. Will the Japs wait to move until they tell us?

Mr. DOUGLAS G. ROSS (St. Paul's): Mr. Speaker, we have been told that Ontario will not take these Japanese. If there is any province in Canada that is in the war, it is Ontario. We will do anything to win the war.

An hon. MEMBER: Are you all alone?

Mr. ROSS (St. Paul's): The hon. gentleman may say something later if he wants to; I do not know what he has to say. We have heard of the terrible difficulty in which British Columbia finds itself. First, we heard from

Japanese in British Columbia

the hon. member for Vancouver South (Mr. Green); then from the hon. member for Yale (Mr. Stirling); then from the hon. member for Comox-Alberni (Mr. Neill), and just now we have heard from the hon. member for Fraser Valley (Mr. Cruickshank). We know that the situation is serious, far more serious than the government seem to think it is. We are told that British Columbia has been told that it is a provincial matter. Is this war a provincial matter. It is a direct responsibility of the government of Canada to see that these Japanese are taken out of British Columbia and put wherever they are to go. No province can refuse to have them as far as that is concerned. We have not refused to have German internees who were brought here from Great Britain. There are plenty of them in Canada. Let us have a little action in this matter. We in Ontario are just as much worried about this situation as are the people in British Columbia. We know what has happened in this world. We know that the defeat of many countries has been brought about by the infiltration that has taken place, by leaving such people where you are likely to have your invasion and making it easy for the enemy. We should profit by the disasters which have taken place in other countries of the world. It makes me tired to hear such stuff from the government benches as that this is a provincial matter.

We will take these Japanese in Ontario, but we will take them under supervision. We are facing a labour shortage, and I know Ontario will take all the Japanese that we have to take. We shall not have a situation like they had in Malaya or Burma or other places. The government of this country are trying to shelve the responsibility on some commission. They are afraid to take the responsibility on themselves because they are afraid of offending some leader in some province. It is about time we got down to brass tacks and faced this situation. It has been before us for years. I can remember when I first came to this house years ago I heard the hon. member for Vancouver South speak about the Japanese and the difficulties we were going to get into because of them. We have had this problem all this time, and the government are still shilly-shallying. Let us get something done; let us get these Japanese moved out of this area.

Mr. McGEER: Mr. Speaker-

Mr. SPEAKER: The hon. gentleman has spoken already. We are not in committee.

Mr. McGEER: I want to ask the minister if he will permit a question.

Mr. SPEAKER: The minister has spoken also:

Mr. McGEER: Surely it is not out of order to ask the minister in charge of the subject under debate if he will permit a question, whether he has spoken or not.

Mr. SPEAKER: We are not in committee of the whole; we are now debating the motion to go into committee of supply on which a discussion has taken place. If we were in committee the question would be entirely correct. The hon. gentleman who desires to ask a question has spoken already and the minister has spoken also. Neither the hon. gentleman nor the minister has the right to speak again in this debate.

Mr. W. K. ESLING (Kootenay West): Mr. Speaker, I am interested in this matter because there are three Japanese communities in my district. I should like to preface my remarks with an acknowledgment to the Minister of Labour (Mr. Mitchell) and his deputy for their courtesy in meeting every situation that I have taken up with the department. There is one community in the old mining town of Sandon. There were many buildings there suitable for this purpose. The strange part of it is that I have not received a single letter from this community by way of objection. The second community is at Slocan city, from which there was no complaint.

If there was one community from which there might have been reasons for complaint it was the community at Kaslo. At times Kaslo has been referred to as a ghost town, but let me tell hon. members that if they ever visit Kootenay lake I know they will pronounce it the most beautiful summer resort in the interior of British Columbia. The choicest and largest cherries are grown there. Much of this trouble was probably on account of the fact that the chairman of the security commission issued a statement that Japanese would not be placed anywhere unless there was unanimous consent. A request was made by the mayor and council of Kaslo that a community be established, and there are now located in this place 1,000 Japanese women and children and elderly men. The best representative of local opinion is the local paper. If the minister will read the local paper, he will find that it voices the opinion that there is full cooperation from this Japanese community in Kaslo and that the relations with the rest of the community are the best.

There has never been any particular resentment against their coming. But what the people do object to-and I think this would [Mr. McGeer.]

each to see that order is maintained and that there is no occasion for concern. Additional light and additional water supply are also required. All these matters are the respon-sibility of the government, and I think it is up to the government to see that these communities are relieved of any financial respon-sibility for these necessities. To date I have not received a single letter from any one of these three communities since matters were amicably settled between the government and the Kaslo citizens. It is to be regretted that these Japanese had to be sent into the interior of British Columbia, but the people on the coast cannot

be blamed for feeling as they do. If hon. members here only realized how vulnerable are various points along our coast-line, I am sure they would feel that the fears of the British Columbia members were amply justified, and there could be no better example of cooperation between the various provinces shroughout this dominion than for each to be willing to accept its full share of responsibility for placing these Japanese throughout various districts in Canada.

apply to other communities too-is the lack of

proper policing, which is the government's responsibility. To have only one policeman

to guard a Japanese community of 1,000

people is all nonsense. There should be

policemen on duty three shifts of eight hours

Mr. T. L. CHURCH (Broadview): Mr. Speaker, inasmuch as I have supported the stand of the British Columbia members on this Japanese question during the sessions of 1935, 1936, 1937, 1938 and 1939, I should like to say a few words. British Columbia has a very long coast-line. From Puget sound to Queen Charlotte islands there is a coast-line of 600 miles with practically no defence except the British fleet. I referred to that in the debate on external affairs in this house during the session of 1937, and the hon. member for Comox-Alberni (Mr. Neill), and the members for Vancouver and other British Columbia constituencies participated in that discussion. I predicted then that there would be war between the United States and Japan, and I urged that preparations be made for our own defence. True it is that the then Minister of National Defence, now Minister of Pensions and National Health (Mr. Mackenzie), at the insistent demand of the legislature and one or two members from Ontario, in 1938 brought down a government policy regarding the Pacific in the event of war, the danger of which was very grave even then. The new defence policy of the government regarding the Pacific was based on two

cardinal principles: One was home defence, and the other was to protect Canada's neutrality. The minister, who is at present in the chamber, in 1938 gave a very fine statement of the proposals of the government and of the proposed expenditures for that year.

What was the situation then? The United States, which had vast interests in trade and commerce in the far east, brought down a new policy for the Pacific by which the United States undertook to equal the navy of Britain within three years. As a result, the government here brought down its policy of having six hundred miles of coast-line protected and a naval base established on the Pacific coast. That coast-line is somewhat like Norway's, and up to then it was almost unprotected. According to a return that was brought down to the house, Canada at that time was spending only about \$1,25 a head on defence. We were spending \$28,000,000 on postage stamps and \$14,000,000 on defence-only one-half on defence of what we spent on postage stamps. But our expenditures for defence were doubled in 1938. There were 40,000 Japanese in British Columbia then, engaged in the fishing industry and other industries, and they were aggressive in business and belligerent. There was some activity about that time in the northern Aleutian islands and the result was that President Roosevelt, after some insults from Japan, said, "We will defend our territory," and he gave notice to the nations of the Pacific accordingly.

What was the policy of the government of Canada at that time? I was very much surprised at it. Canada had been very much criticized the year before at the imperial conferences of 1937 and 1938, when we knew this war was coming, when Hitler was about to cross the Rhine and had threatened to invade Czechoslovakia, and when the people of Britain, Australia and New Zealand were alarmed at the aggression in the Pacific, because Canada said at the imperial conference, "We have no commitments. Parliament will decide." That was a very sad spectacle for the people of Canada and of the mother country. Our then Minister of National Defence in 1938 doubled the defence estimates, which then amounted to \$1.25 a head. He was opposed by a great many members on his own side, but he was right. True, even then, he was proposing to spend only one-fifth of what was required, but he did double our expenditure that year on defence. Some of those who opposed his estimates said: "What is the use of doubling our expenditures in the militia estimates?" I warned the house that if war came, Britain would have to withdraw her fleet to home waters, to the Mediter-

Japanese in British Columbia

ranean and the Atlantic. Yet even some government members said we could depend on Washington for Pacific defence because it is now their preserve. Those were the reasons given by some of those who then opposed this increased defence expenditure. I was very much surprised because if one country gained by the Ottawa agreements it was Canada, and Canada was criticized in Britain and the United States for depending on the mother country to protect our shores after we had gained so much from the Ottawa agreements, and there was grave danger in the Pacific at that time from Japanese insults and aggression. Furthermore, the people of the United States had then more than enough to do to look after themselves. Then what happened. The worst blow to America's prestige came when the United States embassy was moved from Nanking at the behest of Japan, while Britain refused to move and warned Japan she would be held to account for any injury or damage to British nationals or British property. The evacuation of refugees from Shanghai was carried out by British warships and British liners, and the British navy won the high praise of every American who returned from the far east.

Four days before the house rose in June of last year, I asked what the policy of the government would be in the event of war with Japan. I said that we did not want any more appeasement policies in connection with the wheat trade. This was on June 5, 1941. The Prime Minister said during the recess that he was not an appeaser; he was a conciliator.

What happened? A return was brought down on May 6, 1942, in reply to my question as to the tonnage of copper, aluminum, nickel, scrap iron, pig iron and coal exported from Canada to Japan for the five years before the war. The question was answered by the Minister of Trade and Commerce (Mr. MacKinnon), who gave the following figures:

Year	Item	Quantity	
1935	Coppercwt.	3,526	
	Aluminumewt.	126,483	
	Nickelcwt.	17,546	
	Scrap irontons	39,186	
1936	Coppercwt.	8,348	
1000	Aluminumcwt.	88,872	
	Nickelcwt.	28,821	
	Scrap irontons	68,011	
1937	Copperewt.	69,175	
	Aluminumewt.	178,405	
	Nickelcwt.	101,342	
	Scrap irontons	46,948	

Japanese in British Columbia

Observe how these exports increased in the very year that the government announced its policy:

Year	Item	Quantity	
1938	Coppercwt. Aluminumcwt. Nickelcwt. Scrap irontons		

Copper, aluminum and nickel shipments went sky-high.

Year	Item Quantity	Quantity	
1939	Coppercwt. 378,396 Aluminumcwt. 421,173 Nickelcwt. 233,107		
	Scrap irontons 46,866		

In this manner we assisted Japan to build her fleet and produce her armaments.

In connection with this matter, I may say that I was very much surprised to see the way in which the government dealt with the very serious, insolent encroachments of the Japanese in British Columbia. I have already referred to the fishing trade off the coast. Everywhere along the Pacific, from the Panama right up to the Aleutian islands, everyone knew Japan intended to go to war and would be the aggressor. There were persistent reports for years about what she was going to do. She had become very threatening. The hon. member for Comox-Alberni (Mr. Neill) was then referring to the way in which the Japanese fishing boats would come within three miles of the shore and fish and take their haul off under the protection of a man-Through her newspapers and of-war. university professors Japan predicted war, and what did Canada do to prevent further aggression? The Japanese population of British Columbia was 40,000, while the Chinese population was decreasing. Japanese were allowed to bring in 150 labourers each year, and they evaded the regulations all along the line. Complaints were made in this houseat that time there were more Conservatives from British Columbia than there are nowcomplaints which were resumed year after year, concerning the immigration laws and the aggression of these people in the fisheries. It was stated at that time that fish were taken on board a mother ship and there canned and frozen. This was denied, but the United States authorities made a survey and took photographs of the proceedings out in the Pacific and sent them to Tokyo. Protests were lodged, but without effect. Here is a quotation from the National Review of 1938-I will read one or two paragraphs, and that is all I shall have to say-concerning the encroachments of the Japanese in British Columbia:

[Mr. Church.]

Japan has been buying up the whole of the output of British Columbia's base metal mines; one company shipped 14,000 tons within a month. Japanese interests are endeavouring to acquire properties on the coast for the supply of iron ores, timber and metals. Japanese now control the wholesale and retail distribution of vegethe wholesale and retail distribution of vege-tables in Vancouver—frequently they are in conflict with the marketing board in "boot-legging" vegetables to the market, without secur-ing the endorsement of the board that its price rule is being observed. Inland, a growing num-ber of orientals are engaged in fruit-growing, dairying and mixed farming. It is estimated that Japanese will one day oust the white form that Japanese will one day oust the whites from the fishing industry. Japanese were issued 2,232 fishing licences in a single year. No white man can get a licence in Japan for fishing or operating a cannery or saltery. Orientals are extending their efforts to embrace general stores and manufacturing. One by one, secondary industries are being invaded-clothing, dressmaking, boots and shoes, shipbuilding. Since 1921, the British origin of the population of British Columbia has declined from 73 to 67 per cent. At the present rate, it will be less than half in twenty years. A comparison be-tween it and the neighbouring state of Washington, in defence and racial purity, throws a garish light on a problem that threatens the continuance of British Columbia in the Canadian confederation.

All along we have not been sufficiently mindful of what a great military power Japan is. Its navy ranks, next to that of Great Britain and the United States, as the best in the world. We never should have lost these people as allies. Undoubtedly they are difficult to get along with. They shot the British ambassador in the streets, acted disgracefully and had been most insulting, but sentiment is one thing and diplomacy another. The atrocities they committed against the Chinese in 1933 shocked the whole civilized world; yet we should have been wary of losing them as an ally. I believe this country is in grave danger from their nationals, and I think the hon. member for Vancouver South has done his duty in bringing the matter to the attention of the house.

Mr. OLOF HANSON (Skeena): Mr. Speaker, I should be lacking in my duty if I did not say a few words on a matter which seems so vital to British Columbia and also to the rest of Canada. I do not think it has been realized in the east what the Japanese menace means to the people of British Columbia; certainly the people of Canada in general have not realized it; and when war was declared by Japan last year, it naturally increased those fears and those feelings which have been held in our province toward the Japanese for a number of years. We who live on the coast knew that some of the fishermen who were Japanese were members of the Japanese navy.

Since this question has been brought up about evacuating the Japanese from the coast, I am happy to say that a few months after the war was declared the district north of Vancouver island, approximately three hundred miles of which is in the constituency which I represent, was cleared of Japanese. However, as a member from British Columbia, I naturally realize the feeling which still remains there against the Japanese, and I join with those who have expressed the view that this is a problem for all Canadians, not for British Columbia alone.

Some figures were quoted here this afternoon by the Minister of Labour (Mr. Mitchell) and the hon. member for Vancouver South (Mr. Green), as to the correctness of which I should like to be informed. The United States Year Book of 1941, quoting the 1940 census, gives the total number of persons of Japanese origin in the continental United States as 126,947; in California, 93,717; in United States territory excluding the Philippines, 158,905. If these figures are correct, there is approximately the same percentage of Japanese in the United States in proportion to population as there is in Canada. It was stated this afternoon that the United States authorities had taken steps to move Japanese from restricted areas, and I see no reason why we in Canada could not do the same. I urge this upon the minister. I appreciate what has been done, but I am bound to join with those who have already expressed themselves to the effect that the handling of the situation has not been carried out to the satisfaction of the people of British Columbia by the British Columbia security commission, and if there is any other way of getting quicker action it would not only satisfy the people of the province but would help British Columbia members and save both them and the house a good deal of worry and time.

Mr. GORDON GRAYDON (Peel): In support of the remarks made by the hon. member for Vancouver South (Mr. Green) and at his suggestion I should like to place on the record a report of our own dominion bureau of statistics of January 29, 1942, with reference to the population of Japanese and the total population in the three Pacific coast states of the union to the south. These figures are all for 1940. In the state of Washington the total number of Japanese is 14,565, or a little more than half of the Japanese population of British Columbia, while in Washington state itself the total population is 1,736,191, or about twice the population of British Columbia. In Oregon the Japanese population in 1940 was 4,071, or about one-sixth of

Japanese in British Columbia

the Japanese population of British Columbia; yet the total population of Oregon was 1,089,684, or about 200,000 more than that of British Columbia. The figures for California were given by the hon. member for Skeena (Mr. Hanson), showing the Japanese about four times the number in British Columbia, namely, 93,717, with a total population of about eight times that of British Columbia, namely, 6,907,387. In the Vancouver Sun of July 22 this news items appears with respect to the evacuation of Japanese from the Pacific coast area in the United States:

San Francisco, July 22.—Orders for the exclusion of all remaining Japanese in California were posted by the army to-day, affecting about 6,150 persons in Fresno and Tulare counties. Registration was set for July 27 and 28 and completion of evacuation is scheduled by noon of August 11.

I want to put this on *Hansard*, so that the record will be as complete as possible.

Mr. MITCHELL: I think I should say, in view of the figures placed on *Hansard* by the hon, member for Skeena—

Mr. SPEAKER: Order. The hon. member has spoken.

Mr. HANSON (Skeena): I ask the minister a question in regard to this matter, Mr. Speaker, and I should like to know whether my information is correct or not.

Mr. MITCHELL: The figures are right. Possibly my officials supplied me with bulk figures rather than with a breakdown.

Mr. GREEN: You have included the Japanese in the Hawaiian islands.

Mr. MITCHELL: Yes, in the United States possessions.

Motion agreed to and the house went into committee of supply, Mr. Vien in the chair.

DEPARTMENT OF THE SECRETARY OF STATE

327. Departmental administration, \$99,528. Item stands.

DEPARTMENT OF EXTERNAL AFFAIRS

39. To provide for hospitality in connection with visitors from abroad, \$5,000.

Item stands.

DEPARTMENT OF TRANSPORT

361. Departmental administration, \$393,122.

Item stands.

POST OFFICE DEPARTMENT

248. Departmental administration, \$743,650. 244. Post offices, including salaries and other expenses of headquarters and staff post offices

Supply-Post Office

and supplies and equipment for revenue post offices, \$17,170,411.

Hon. W. P. MULOCK (Postmaster General): We are considering items 243 and 244 together.

The CHAIRMAN: Shall the items carry?

Mr. GREEN: Before these items carry, there are two matters to which I would call the attention of the Postmaster General. First I would show him these advertisements—

Mr. MULOCK: We are not on that item. If the hon. member will deal with that on item 247, air and land mail services, I shall have the appropriate officials here at that time.

Mr. GREEN: I am dealing with a waste of money.

Mr. MULOCK: That is a matter of opinion.

Mr. GREEN: Another matter about which I should like to question the minister is the policy of the department with regard to extending mail delivery service in centres where there is great growth in population. For example, there is one district in the riding I represent, lying between Cambie and Manitoba streets, and 26th and 29th avenues, which is almost in the centre of the city of Vancouver geographically. It is only thirteen blocks from the city hall. There is delivery, I believe, on all sides of that area, and yet for many months now it has been impossible to get a delivery in that district. There are fifty or a hundred houses in the district and the residents have to go about two miles to get mail at a sub-postoffice. It is closed at six o'clock on ordinary days and one o'clock on Saturdays, so that men coming home from work quite often cannot get to the post office, and there is the utmost inconvenience. The post office has a monopoly in the handling of mail. It prides itself on being efficient and up-to-date, as a model of what public ownership can be, but it seems to me that this is just plain inefficiency. In many of the centres there has been growth in population-new houses going up and so on-and yet the post office organization seems to be such that they cannot change to meet these changing conditions. That is absurd. The confidence of the people of Canada in the post office cannot be maintained if it cannot meet conditions more efficiently than that. Would the Postmaster General explain why such conditions exist?

Mr. MULOCK: I am not sure whether the hon. member was in the house when these [Mr. Mitchell.] estimates were being dealt with last and the question of the shortage of man-power was discussed and the rearrangements of routes. Is this a business district or residential?

Mr. GREEN: Residential.

Mr. MULOCK: My officials have no information on the matter-

Mr. GREEN: They should have, because they have known about it for months.

Mr. MULOCK: I do not think the hon. member has communicated with me about it. I shall be glad to go into the matter and see what the facts are. He will understand that where there is growth on the borders of cities under present conditions—

Mr. GREEN: This is in the centre of the city.

Mr. MULOCK: I shall be glad to have the matter looked into and advise my hon. friend.

Mr. GREEN: I do not blame the officials bere; I do not think they are responsible. Either the policy of the government is wrong, or the officials in Vancouver are wrong—perhaps both. In any event, it should be remedied.

Mr. MULOCK: My hon. friend will, I am sure, agree that it could not possibly be the policy of the government that was wrong.

Mr. GREEN: No, I am not so gullible.

Mr. MacNICOL: What is the allowance per year to the ordinary postie on the beat?

Mr. MULOCK: From \$1,020 to \$1,500, together with uniform and boots.

Mr. MacNICOL: Do they get cost of living allowance?

Mr. MULOCK: Yes; the cost of living bonus applies to post office employees.

When we were dealing with the estimates last night, one matter dealt with was the appointment of a postmaster at Bruno, Saskatchewan, which the hon. member for Saskatoon City brought to the attention of the committee. I would advise the hon. member that this matter was carefully considered over a period of many months. He can see from examining the correspondence that there was no desire to make any hasty appointment or to put into the service any person who was not loyal to this country; I want to make that quite clear. In that connection I would advise the hon. member and the committee that I received from the Minister of Justice the following report addressed to me as Postmaster General:

My dear Colleague,

With reference to your telephone inquiry of the 14th instant respecting William F. Hargarten, postmaster at Bruno, Saskatchewan, I may say that the Royal Canadian Mounted Police advise that no concrete evidence has been adduced which would show that Hargarten's sympathies or leanings are disloyal to the British empire.

I might point out to the hon. member that this post office of Bruno is in the riding of Humboldt. In that district as of the 1931 census figures—the more recent figures are not yet available, I am advised—the total population is shown as 44,977, made up as follows:

British extraction	12,575
French extraction	3,055
German extraction	14,202
All other races	15,145

We received, as I know the hon. member for Saskatoon City received, representations, or rather in the nature of inquiries, from certain veterans' organizations in Saskatoon City. These representations were given most careful consideration. As he knows, the transfer of the duties to the postmaster was held up pending investigation. The postmaster did not take over the duties of the post office until that investigation was completed. This matter was discussed fully with the officials of the Post Office Department and others, and I am satisfied from the evidence that a great injustice would have been done to Mr. Hargarten if he had not received this appointment.

Mr. MARSHALL: I crave the patience of the minister and of the committee for a few minutes while I bring to the attention of the members of this house, and more particularly those who served in world war No. 1, a certain matter. On April 7 of this year I received a communication from one of my constituents whom I shall designate as Mr. C. In his letter he said that he understood a vacancy had occurred in the position of postmaster in his local post office. He asked me to inquire from the authorities in Ottawa if such were the case and to send him whatever information I could obtain. I telephoned the department and verified the fact that the postmastership was vacant. I replied to Mr. C on April 25, telling him he should make application to the office in Edmonton and to be sure to list his qualifications, particularly any qualifications with respect to his service during the war. He did this, and a short time later I again got in touch with the department in Ottawa and discovered that a temporary appointment was made to this post office.

I would direct the attention of hon. members to the qualifications of the individual

who received the temporary appointment, and make a comparison between the qualifications of the present appointee and those of the other applicant. I shall call the gentleman who received the appointment Mr. P.

This gentleman is twenty-five years of age, single, Canadian born, a British citizen. He moved into the district in March of this year. He enlisted in the Canadian postal corps from which he was invalided out after four months' service on account of an arthritis condition. He passed grade 11 in high school, and has the necessary educational qualifications to fill the position. This is the gentleman who received the appointment as postmaster, in a temporary capacity.

I should now like to direct the attention of hon. members to the qualifications of the other applicant. Mr. C was born in Ireland fifty-two years ago. He entered the British army at an early age, and from 1910 to 1914, a period of four years and 254 days, served his country in India. He was in France for two years and 343 days, from 1914 to 1917, and was in the middle east from 1917 to 1918. He was then in the British expeditionary force for one year and 229 days, that is, from January 15, 1918, to May 23, 1919. Then from 1920 to 1922 he was back in India, for two years and 75 days. We are told in his discharge certificate that he rose to the rank of sergeant and that he obtained a second class certificate of education in February, 1908. We are told, too, that he was a most reliable and trustworthy non-commissioned officer of exceptionally good character; a hard worker and good disciplinarian, tactful with his men and who had his commands respected. In addition to that, in a letter to me dated May 2, 1942, he says:

In 1925, when 1 applied for a disability pension, this record was taken from the files and a copy given to me, but unfortunately the top part got torn off by someone taking it out of a file, but it only contained my disability, which was deafness of the left ear caused by being buried in a trench at Ypres for five hours.

This man offered his services to his country in this war, on December 2, 1941, but was unable to meet the military physical standards and was given his discharge. Finally, his son, who is eighteen years of age, has enlisted in the Canadian army.

These were the only two men who applied for the position of postmaster in this instance. I suggested to the authorities in Ottawa that in view of the situation they should send an inspector to interview both these men. My suggestion was accepted, and I should like to place upon *Hansard* part of the report of the acting district superintendent: In compliance with instructions I visited . . . district on May 29 for the purpose of interviewing the two applicants for the postmaster-

viewing the two applicants for the postmaster-ship at that point, namely Mr. P and Mr. C, and beg to submit the following information. Mr. P: Age 25 years, single, Canadian born British citizen of Ukrainian extraction, was formerly assistant postmaster at . . . later enlisting in the Canadian postal corps, from which he was invalided out after about four months service, on account of an arthritis con-dition. He moved to . . . in March last, . . . Mr. P passed the eleventh grade of high school and has the necessary educational qualifications and has the necessary educational qualifications and ability to fill the position.

Then the inspector submitted his report on Mr. C:

Age 52 years, married, was born in Ireland and is a British imperial army pensioner, being in receipt of a service pension, but he has no disability. Mr. C has lived seven and a half miles from . . . and fourteen miles from . since 1926, where he has been farming. . . He served in the imperial army from 1907 until 1922. He states that on account of "there being no bank . .

That part is of no importance.

It simply gives the reason why he had the small pension which he received from the British government sent to a certain address. This is the significant part of the inspector's report:

After completing seven years' tuition in public school in Ireland, he claims to have taken an educational course covering five years in the army, in respect to which he has received a second class certificate. It is considered that he has the necessary educational qualifications to fill the position and possibly has the ability, but he is a pugnacious type of individual and my canvass of the business people and persons familiar with the situation revealed that he would be entirely unacceptable on these grounds.

Pugnacity is an inestimable trait of character when shown by a man defending the hides of politicians and their henchmen. It was pugnacity coupled with indomitable courage which enabled Brigadier Lawson and his two battalions of Canadians to hold Hong Kong so that we might be given some precious time. It was this trait of pugnacity that enabled the Russians to stem the onward rush of the nazis to the Caucasus, but we find that this same trait was a distinct hindrance to a returned soldier in his endeavour to obtain such a small position as postmaster of his local post office. To me this smacks of politics. We are evincing almost indecent haste to show the men who serve in the armed forces during this war that their future is of some concern to us, but in my judgment this is a raw deal given to a man who had a very honourable record in the first war. I suggest to the minister that he get the file, go into the matter very carefully, and see that justice is done this individual

Mr. MULOCK: While we are dealing with this matter I should like to advise the hon. member that this question was dealt with as a matter of ordinary routine by the officials of the department, and so far as I know was never brought to my attention. I should like him to check one or two of the statements he has made. I am advised that Mr. C received his mail at Viking post office, not at Bruce post office. I believe that is the case to which the hon. gentleman is referring.

Mr. MARSHALL: Yes.

Mr. MULOCK: I would advise the hon. member that no permanent appointment has been made to the postmastership. In justice to the man to whom my hon. friend has referred, I must say that he enlisted for overseas service but was invalided because of arthritis, as the hon. member has stated. I understand from this note that a petition was forwarded to the department signed by 137 names asking for the appointment of Mr. P. I understand a copy of this report and the petition was sent to the hon. member for Camrose (Mr. Marshall). However, I shall be glad to review the case and make inquiries. Until I see the file I cannot say anything as to the fitness and suitability of either men to fill the position. There is no question about preference for returned soldiers, but the returned soldier must be suitable and able to fill the position. This is not a large post office, because the revenue in 1941-42 was a little under \$1.100.

Mr. FLEMING: The hon. member for Saskatoon City (Mr. Bence) has raised a question in connection with the appointment of the postmaster at Bruno, Saskatchewan. I welcome very much the entry of this hon. member into the affairs of Humboldt constituency. This case has been of long standing. It was not a partisan political appointment, because the present postmaster, Mr. Hargarten, has never been what we would put down as partisan in politics. In my long career I have known of his belonging to practically every political party. He is a man of splendid education and has lived in the district for some forty years. It is true he is of German racial origin, but 95 per cent of the people of that district are of German racial origin.

He was recommended by men of the type of Surgeon-Lieutenant R. G. Yoerger, a veteran of the last war, now of the Royal Canadian Navy; a member of the Humboldt branch of the Canadian Legion. He was recommended by Mr. A. J. Simmons, former secretary-treasurer of the Humboldt branch of the Canadian Legion. He was recommended by the Hon. A. Doiron, K.C., judge of the superior court

[Mr. Marshall.]

of Saskatchewan. He was recommended by the Right Reverend Severin Gertken, Bishop of Muenster, Saskatchewan. He was recommended by Reverend Father Bernard of Bruno, Saskatchewan, a well known Canadian cleric. When these facts were brought to my attention they gave me the authority necessary to make the recommendation I did to the Postmaster General.

Certain accusations were made, not from within the district of Humboldt but from outside, that the postmaster at Bruno was a fascist, a nazi, and I do not know how many other isms. Every charge was carefully investigated. I do not know how many investigations were made by the Royal Canadian Mounted Police, but it got to be almost a laughable situation. He was given a clean bill of health on every charge. When this case was mentioned to me by anyone I always said that I would not have recommended Hargarten if I had not known he was a loyal Canadian citizen. In the face of the findings of the Royal Canadian Mounted Police and the other recommendations, I had no alternative but to recommend this particular man.

I would point out also that there were no eligible returned soldiers capable of taking this position. I would point out something which is perhaps well known to the hon. member for Saskatoon City, that certain individuals, especially one whom I think is well known to the hon. member, came and rented boxes for a year in order to be eligible for the position.

Mr. BENCE: The references made by the hon. gentlemen are absolutely unknown to me.

Mr. MARSHALL: I do not know whether the Postmaster General intended to do it, but he has rather left the impression that Mr. C was a patron of the Viking post office. I should like to draw his attention to the fact, which he can verify, that Mr. C's name will be found on the postal directory of the post office in question. The reason why he gets his cheque sent to Viking, as I mentioned earlier, is that there is a bank there and there is none at the other point. The inspector in the report of June 12 said:

There being no bank at B. he directed that his pension cheques be addressed to Viking, Alberta, at which post office he has received them for some years, but the bulk of his mail comes to D. where he receives it and has done, for practically the whole of the time he has resided on the farm. He still receives mail at B. and considers himself a bona fide patron of that office.

While it is true that a petition has been received signed by a large number of residents in that particular part of the country, I assure

Supply-Post Office

the Postmaster General that I shall have some interesting facts to disclose to him privately with respect to this same position when the time is opportune. That is all I have to say, and I am glad the Postmaster General has said that he will give the matter his attention.

Mr. STOKES: I should like to refer to the closing of a branch post office in Belleville known as Belleville station, after it had been in existence for many years. The impression was general throughout the city that it was impossible to find any person to carry on this post office, but later I learned that the reason why the man retired or refused to act as postmaster any longer was that the rental for his building had been reduced. That was the information I received. This post office was quite a convenience. It was situated in the northerly limits of the city, adjacent to the Canadian National railway station. True. those living within the city limits got a delivery of mail, but this particular post office was a great convenience to many people living across the tracks and to some of the city residents, who used to buy postal notes and money orders there. Some of that business has been diverted to the express office at the station. May I ask why the convenience of this post office was taken away from the people of that section of the city?

Mr. MULOCK: I presume it was a subpost office.

Mr. STOKES: Yes.

Mr. MULOCK: While I have no information on the case, I do not think there was any question of reduction of rent involved. It was rather a case where no rent at all was paid. Many people are glad to obtain a subpost office and, as the hon. member knows, they are frequently located in drug stores and other stores in the larger cities and towns, but the department does not pay rent for them. That may have had something to do with the matter. I shall be glad to take it up with the officials and look into the facts.

Mr. STOKES: My information was given to me by the gentleman who was in charge of this post office for a number of years.

Mr. BENCE: The hon. member for Humboldt said that the Royal Canadian Mounted Police had sent in reports in favour of the appointment of this man to the Bruno post office, and in view of that—

Mr. ROSS (Moose Jaw): He said they had given him a clean bill of health.

Mr. BENCE: I have forgotten his exact words, but if the Royal Canadian Mounted Police have made reports on this case, would the minister file those reports? Mr. MULOCK: I thought I had made the matter quite clear last night and to-day.

Mr. BENCE: I did not follow the minister to-day.

Mr. MULOCK: I read a report from the Minister of Justice, under whose jurisdiction the mounted police come, and I am sure the hon. member will agree that the Minister of Justice would not submit a communication of that kind if it were not correct.

Mr. BENCE: I am merely asking that these police reports be tabled.

Mr. MULOCK: Reports received from the mounted police which are marked "secret" cannot be divulged.

Mr. MAYBANK: I want to make just a few remarks which have occurred to me by reason of the comment made by the hon. member for Hastings South (Mr. Stokes) relative to the closing of a post office. In the city of Winnipeg I find a large number of people coming forward from time to time asking that a sub-post office be established in their particular district. It often happens that there is a post office not very far away. True, if a new sub-post office were opened, it would be more convenient for the people in the immediate neighbourhood. I find that a great many people have been coming to me and making representations of the sort I have mentioned, but I will say in truth that there are fewer people coming to me in these days than was the case a few years ago, and that I think is owing to the practice I have adopted in dealing with all such requests.

At first when such requests came to me I thought it was only reasonable to support them, and I did so on several occasions; but after I came to understand-not fully, because I do not think that I could ever fully understand the intricacies of post office life-somewhat better the problems that beset the Post Office Department I adopted a completely different attitude toward all such requests. I did not understand for a long time that when a new sub-post office is opened there is grave danger of the Post Office Department losing money, but after a while I found that a great many people were asking for a subpost office to be opened or to be continued because they counted on making money through commissions upon the sale of stamps. Frequently a man who got a sub-post office would canvass his friends in businesses which bought a great many stamps to purchase their requirements at his post office and in that way he would make more money. Of course, the Post Office Department did not make any more money because [Mr. Bence.]

the sales of stamps which are made at subpost office A are lost at sub-post office B. In other words, the total number of stamps sold remains the same and the king gets no more money by reason of the new sub-post office being opened. In fact, he is likely to lose money, because if the postmaster can bring his sale of stamps up to a certain point—I cannot remember the exact number of stamps they have to sell to get into a higher classhe gets \$50 or \$75 a month for being in that higher classification, which is enough at any rate to pay the rent of his store. Naturally the man who had a sub-post office would put pressure on his friends in businesses that bought stamps in large volume to give him a part of their patronage. The net result was that the Postmaster General, representing His Majesty, had to pay out \$50 or \$75 certain of His Majesty's money to these new vendors of stamps.

When I came to realize that situation I adopted a much more wary attitude with respect to recommending applicants for subpost offices, and I am sure that anyone in the Post Office Department, the Postmaster General or anyone else, will bear me out when I say that although I come from one of the chief cities of the dominion, where one would expect a considerable number of post offices, I have refrained, except in a very few instances, from recommending the opening up of post offices. I have made such recommendations only when I was certain that there was a good-sized area to be served.

I make no particular reference to the case at Belleville because naturally I am ignorant of the facts, but I do wish to commend the Postmaster General and his officials generally for the attitude they take with reference to opening up sub-post offices and I commend them particularly for the number of times they have refused rather than granted such applications. I am sure that it must be a very difficult matter with all the number of good persuaders there are bound to be in the House of Commons to say, no, we cannot open a post office there.

I fancy that every art of which a member is capable is used on the post office officials, and on the Postmaster General himself. They want to be accommodating as much as possible, and I know it is not easy to say "no". I know also it is not very often that a person will be commended for saying "no"; in fact I must plead guilty to the charge, if it were made, that I do not very often myself commend a person for giving a negative answer. Or perhaps I do not commend anybody as often as I should. But I thought I would take this opportunity of saying, from

such experience as I have had in these matters—and for a few years I had a good deal— I think the Post Office Department is following the right course in being, if I may use the expression, as tight as possible regarding the opening of sub-post offices, because to open a sub-post office is to run the danger of losing money. In fact it is more than a danger; it is almost a certainty, and heaven knows this is no time for any officers of His Majesty to be losing money anywhere; we need to be saving money, not losing it.

In closing, I would say that of course my remarks have no reference to the particular problem of Belleville, of which I am entirely ignorant.

Mr. GILLIS: It amuses me to listen to the estimates of the Post Office Department being discussed from the viewpoint of dollars and cents. I always visualize this department as a service to the people and to be measured in terms of service, but evidently a large number of hon. members do not take that view.

What I have in mind in making that observation is the matter of rural post offices. Canada is a nation, and every citizen is entitled to the same service regardless of whether he lives in a city or fifteen miles outside it, so far as the duty of the department to the nation as a whole is concerned. It must give service to the best of its ability, without any regard to the making of one, or two, or three million dollars. The maximum amount of service should be the principle.

I mention this because I have been corresponding with the department for a considerable time with respect to two small post offices, one at Catalone, on Cape Breton island, the other at Marion Bridge. They are about eighteen miles from the city of Sydney, and approximately that distance from a Canadian National railway station, and they receive their mail twice a week. The newspaper which circulates in Sydney is received by them only twice a week. I think that is a reflection on the Post Office Department.

The minister has admitted that financially the department is not doing so badly; it has a surplus of about \$4,000,000. But to my mind a person who is farming fifteen or eighteen miles from a city and is denied in many cases even the convenience of electric light is not a citizen of Canada at all. He is living out in a wilderness; he gets his mail twice a week, or maybe once a month during the winter: I do not blame the officials whom I have corresponded with, because they are working for the Canadian government and the government lays down the rules. They

Supply-Post Office

cannot provide a better service, because an inspector who went there found that it would cost \$260 a year to maintain the post office. A large number of families live there. It is no fault of theirs that they are living there; they are making their contribution as best they know how, but they are living back a hundred years, and it is a reflection on the government.

I do not think the service of the Post Office Department should be measured in terms of dollars and cents. I trust that, at some time, someone in that department will have sufficient authority to give every citizen of Canada the best service possible consistent with the material and machinery with which they have to work. A man in the country is entitled to what a man in the city has. In the city your mail is delivered to your door. In the two places I speak of they get their mail twice a week and they walk miles for it. I want to bring this matter to the minister's attention. I have corresponded to some extent with the department, but I know they cannot do anything about it unless the rules are changed.

I have another complaint to bring forward similar to the Toronto case which was discussed last night. The minister's statement in the Toronto case was that there is lack of man-power; that it is not possible to get the labour. This answer is given pretty frequently; whenever an awkward question comes up, we are told there is a shortage of manpower. The mail carriers at Sydney, Nova Scotia, of whom there are seventeen, complain that they have not a spare carrier, and any time a clerk on the inside of the post office is off duty, carriers are placed inside, and as a result another carrier on the walk has to take a double load of mail and deliver it. The same thing applies when a carrier is away sick. In that city there is no shortage of labour: approximately 500 girls have left that area and come into Ontario to work in the factories because there is no employment locally. Many of them are capable of working as clerks inside the post office. The carrier who has a walk has plenty of work without relieving clerks on the inside. Their contention is that there should be a spare carrier; that where there are seventeen walks and only seventeen carriers, one or another is sure to be sick occasionally, and every carrier has to take a double load. I believe this is a pretty general complaint from the post offices in Nova Scotia. There should be an extra carrier and some relieving clerks employed instead of carriers being taken in off the walks. strongly urge the minister to make a check of the Sydney situation. I know most of the boys employed there, and certainly they would not make a kick if there were not a legitimate complaint.

Mr. MULOCK: If the hon. member has no objection I will deal with the latter case first. Usually there are extra carriers in the post offices, and in the case of Sydney that is a matter which should be dealt with by the local postmaster. Colonel Underwood, who is in charge of post offices, has had the matter drawn to his attention and will have inquiries made.

As regards the two places he has mentioned, he says, unless "the rule" has been changed. It is not a question of rule; it is a question of fact in each individual case. Cases are decided on their merits. Perhaps I had better not mention names, but I know of one place in Nova Scotia where they had absolutely no revenue in a year. Well, that office was closed.

There is another one where in the whole year the revenue amounted to \$19.25, and the cost was \$100 for the postmaster plus the cost of service. That was closed. In another one the revenue was \$2.84 and the postmaster had to be paid and the service maintained, and still another one where the revenue was \$4. These small offices should be closed. In the two cases mentioned it is a question of fact, and I shall be glad to see that they are inquired into. I can assure the hon. member that they will be treated with fairness, and if a proper case is made out and there is a reasonable number of people to be served they will be given serious consideration.

Mr. GILLIS: I do not know the cases mentioned by the minister, but is not the principle of the postal department based on service? There are some post offices where there are large surpluses. Should not such offices carry a group of citizens where there is not sufficient revenue to keep the office open?

Mr. MULOCK: They do. There are 12,500 post offices, and 5,000 of them do not carry themselves but are carried by the other 7,500. There must be some downward limit.

Mr. JACKMAN: May I call the attention of the minister to page 270 of the auditor general's report under (g):

According to the provisions of the Civil Service Act, postmasters of revenue offices, where the revenues exceed \$3,000 per annum, are to be appointed by the civil service commission, but in the following cases the postmasters at such offices were employed by the department without the approval of the commission for the periods indicated: Mont Joli, Quebec, December 16, 1936-March 31, 1941; Rivière du Loup, [Mr. Gillis.] Quebec, May 18, 1937-March 31, 1941; and Strathmore, Alberta, August 22, 1939-March 31, 1941-

The latter date, of course, is the last which the auditor general covers. Would the minister explain how these conditions arise, where there is apparently a defiance of the civil service commission.

Mr. MULOCK: My officials think it is on account of the fact that there was difficulty in finding suitable postmasters in these cases.

Mr. JACKMAN: Did the commission advertise for postmasters for these various offices?

Mr. MULOCK: They will be filled by the commission if they have not already been filled.

Mr. JACKMAN: But some of these periods extend over some years, and I cannot believe that in a constituency such as Témiscouata, for instance, there are not a great many people who are quite eligible to fill the position of postmaster.

Mr. MULOCK: That brings up something which I had better mention now. As the war continues, the situation may become more difficult and many post offices will probably be left with acting postmasters until the conclusion of hostilities, so that returned soldiers will have an opportunity of being placed in these positions. I feel rather strongly about the matter, and I do not think it is fair to fill all these offices with permanent employees while men are on service in the navy, army and air force. Perhaps by next year the hon. member will see a large addition to that list.

Mr. JACKMAN: I would point out that no fewer than two of the three antedate the declaration of war.

Mr. MULOCK: I believe the hon. member referred to one that started in 1936.

Mr. GILLIS: Are there not hundreds and thousands of ex-service men in the country who would be eligible? It looks like political bait held out.

Mr. MULOCK: That is not correct. If the committee wants the positions filled I suppose they can be filled, but I do not see any political bait about the matter. It is the very opposite. I would go farther than that. There are certain temporaries—and I am not referring to the temporaries about whom hon. members were speaking, 90 and 10 per cent. I am talking about taking on increased numbers in permanent positions. As far as possible we should use temporaries where we can. Under the order in council the govern-

Supply-Post Office

ment cannot take men on who are physically fit and within the service regulations. At the end of the war there will be a substantial number of vacancies available for competition, and returned men will have the preference for these positions.

Mr. GILLIS: Is that government policy right now? Are the men who fought in the last war and came back, and who have a preference under the commission, to lie in abeyance until the conclusion of this war?

Mr. MULOCK: No, but there are cases in which there are no suitable returned soldiers resident in the district. There are many such cases.

Mr. MacNICOL: In what I am about to say I am not criticizing the minister. What I am going to discuss has been regulated by the department for some time, but the minister said something about temporaries, and they are receiving only \$1,020 a year.

Mr. MULOCK: The word "temporaries" is rather confusing. There are temporaries on full-time employment who have not yet been taken on the permanent list whereby they would receive the benefits of increased salary and superannuation.

Mr. MacNICOL: There were temporaries taken on in 1936, six years ago. As the minister has said, they draw \$1,020 a year, and yet they are doing a full-time job and trying to exist on an inadequate salary. I often think of the pay of the postman on the permanent list, receiving \$1,500 a year. He has a most responsible position, and he is among the poorest paid men in the civil service. But these men have to do work that calls for as much care and anxiety, work that is as hard as that done by any other class in the service, and in all seasons and weathers, and yet their remuneration is altogether too small. When you come to the temporary man doing the same work and receiving \$1,020, he is certainly treated far less fairly than even the permanent man. When the minister has a chance. I hope he will look into the whole question of adequate remuneration not only for the temporary but for the permanent posties.

Mr. MULOCK: I will look and I have looked into it, and I have made a recommendation to the treasury board with regard to these temporaries. I absolutely agree with what the hon. member has said about them and have asked for the situation to be corrected. If I did not agree I would not have made the recommendation I did to the treasury board. 44561-313

Mr. MacNICOL: I am pleased to hear the minister say that.

Mr. NOSEWORTHY: As a newcomer here I have been very much amused at the attempt by hon. members on this side to charge the minister with the use of political patronage in the appointment of postmasters in rural districts and towns and in the appointment of temporary employees. The use of political patronage in these appointments is as old as Canadian history, and as well established as anything we have. I ran up against it thirty years ago. As an undergraduate I applied for a temporary position at Christmas time in the Toronto post office. I was told to consult the government patronage committee in the riding. I found the patronage committee at that time to be the defeated candidate of the party in power. My political affiliations were unsatisfactory and I did not get the job. From that day to this there has seldom been a Christmas season in which pupils from the schools I have taught in have not come to me and asked how to go about getting a job in the post office at Christmas time. I have invariably told them, if the riding was represented by a government member to go and see that member; or if the riding was not represented by a member of the government party, to see the defeated candidate. Over those years I have found it worked much more satisfactorily than in the case of my own application thirty years ago.

Only two days ago in a sessional paper brought down in the house there was a letter from an official of the postal department written to an applicant for a position of this kind, stating that overseas service does not count in such appointments.

Mr. MULOCK: Does that relate to a position or a contract?

Mr. NOSEWORTHY: A contract.

Mr. MULOCK: That is different.

Mr. NOSEWORTHY: In the same record where the offer of the applicant recommended by the government member was a little higher than that of another applicant, the member is notified to ask his friend to reduce his offer in order to get the contract.

I think it is an established fact, and we are only wasting time in discussing whether or not these appointments are political appointments.

As to the matter referred to by the last speaker, those temporary-permanent employees at \$1,020 a year, I find on page 165 of the estimates three groups of these employees, totalling over three hundred. These, I understand, are in many cases married men, many of them great war veterans. Apparently it is the policy of the government to employ large numbers of these men at \$19.50 or \$19.60 a week. It is the same government that has been telling us and telling the country within the past few weeks that we are building or beginning to build now a new social order.

Could the minister tell us something about where these people are working? Are they city workers where the cost of living is high, or are they in small towns where the cost of living is low? Are they married men?

Mr. MULOCK: These are men employed in cities. The salaries are not set by the department; they are set by the civil service commission. In an effort to rectify this situation, to some extent, the recommendation was made to which I referred a few minutes ago in answering the hon. member for Davenport.

Mr. HATFIELD: Is any consideration being given to rural mail carriers?

Mr. MULOCK: Would the hon. member be good enough to wait until the item dealing with that is called? I think it is item 247.

Mr. ROSS (St. Paul's): What is the item, publicity and advertising, \$15,000, on page 164 of the estimates, for? Does the post office need publicity?

Mr. MULOCK: Since the outbreak of the war, economy has been exercised in the matter of advertising postal facilities. The expenditures of 1939-40 and 1940-41 were much less than the amounts voted. At the same time it is essential to keep before the public the regular postal facilities accorded, and a state of war creates new problems which must be given special consideration. Changes in postal services and methods of handling mail in wartime must be brought to the attention of the general public and business concerns. This accounts for an increase in expenditure in 1941-42 over the two previous years. The vote for 1942-43 has been reduced from \$20,000 to \$15,000, and the department will endeavour to keep within that amount. I am dealing now with departmental administration, advertising. There are other items of advertising under other branches of the department.

Mr. ROSS (St. Paul's): With regard to the temporary employees, I have had a great many letters, and have had correspondence with the minister. It is a great pity that these men should have to work for such small pay. Some of them have been working for many years but are still on the temporary staff and have not the benefits enjoyed by perman-

[Mr. Noseworthy.]

ent employees. I remember we brought this matter up last year, and the minister promised to see what could be done. I think it should have attention, and I support the hon. member for Davenport in what he said about it.

Mr. JACKMAN: I think all parties in this house will be in agreement on that. I hope the minister will be able to bring sufficient pressure on the treasury board to have these men, some 10 per cent in every post office, who are now on the temporary list, placed on the permanent list. I understand that during the time they are on the temporary list, although they are married and getting only \$19.50 a week there are no increases in their pay. That is a situation which, particularly in these times, should not be tolerated by the government. I should also like to ask the minister whether on the pay roll of the Post Office Department there are any employees who give all or part of their time to other departments of the government.

Mr. MULOCK: Oh, yes; quite a large number. There are the employees in the postal censorship branch; they are all employees of the Post Office Department, and we paid their salaries until the end of June. From now on I presume they will be paid by the national war services department. There may be some other individuals, but I cannot think of them at the moment.

Mr. JACKMAN: It would seem that the Post Office Department has been made the butt of nearly every other department of the government, the reason of course being that the Post Office Department has a very good revenue, and that notwithstanding all these extra expenses which have little or nothing to do with the Post Office Department itself, it is still able to show a bookkeeping profit, though in reality there may be no profit at all. I think this committee is entitled to know what officers or servants are paid by the Post Office Department and lent during all or part of the time to other departments of the government.

Mr. MULOCK: I can get that list for the hon. member, but he will understand that I do not have it at the moment.

Items agreed to.

247. Air and land mail services, \$12,957,363.

Mr. GRAYDON: I have just a word to say with respect to rural mail carriers. I believe that in October or November last an increase of some 5 per cent was given those who carry the rural mail. I have had a number of complaints, as I think most hon. members of the committee have, from rural mail carriers generally in connection with the higher cost of living that now obtains throughout the country. Speaking from memory, I believe the figures show that since war broke out, the cost of living has gone up some 15 per cent. Many of these rural mail carriers, for reasons well known to most hon. members so that perhaps I need not dwell upon them at this time, not only were working at a rate which would barely give them a living return, but in many instances were paid at an even lower rate. The question of who was responsible for that is another matter, with which I have no intention of dealing at the moment. Certainly, however, at this time the rural mail carriers throughout Canada are confronted with a situation which is well-nigh intolerable. Not only did they have a low rate before the cost of living increased; they have a higher operating cost now, and the two together have placed many rural mail carriers in a position where they are no longer able to carry on.

Perhaps in his reply the minister will say that in connection with a large number of rural mail contracts which perhaps normally would not expire for a year or two, the rural mail carriers have had to give them up and ask that tenders be invited again. Therefore I would ask the minister one question. First of all, I favour a different system of awarding rural mail contracts, and I know the minister must have given serious consideration to this suggestion. If that is not possible in the opinion of the department at the moment, I submit that at least the rural mail carriers should be given a substantial bonus to take care of the increased cost of living and the increased cost of operating. Is the minister prepared to give sympathetic consideration and attention to these points?

Mr. ROSS (Moose Jaw): I should like to have a word or two to say on this matter of rural mail delivery before the minister replies. I do not suppose a suggestion such as I am about to offer has ever before been made in this house. Generally everyone who rises in this chamber and speaks about rural mail delivery asks for more rural mail routes, or more money to be paid to rural mail carriers. At one time there might have been great necessity for rural mail delivery in this country, but certainly to-day that necessity has disappeared, at least in large part. It 44561-3133

Supply-Post Office

seems to me that if rural mail delivery were justified in Canada, it would be in the sparsely settled parts of the country rather than in those parts which are more heavily settled. I have taken the trouble to look up the figures with regard to the cost of rural mail delivery in Canada, and I find that the total cost last year was about \$2,966,000. Of that total, some \$1,507,000 was spent in Ontario, or a little more than half the total for the entire dominion. I find that in the four western provinces, which are more sparsely settled and which should need this sort of service if it were needed anywhere, only some \$377,000 was spent. I find that there are four postal districts in Ontario, at Toronto, Ottawa, London and North Bay. I find that in the Toronto district some \$408,000 was spent for rural mail delivery; in the Ottawa district, some \$445,000, and in the London district, some \$588,000. In other words, rural mail delivery in each of these three districts cost more than it did in the four western provinces together.

Mr. GRAYDON: Is the hon. member's point that the people are paid too much in Ontario?

Mr. ROSS (Moose Jaw): No. My point is that we are continuing a service which has become almost unnecessary in this country. Why do I say that? In these heavily populated areas the post offices are close together; there are good roads by which to reach them, and with the news one gets over the radio and the number of people who pass the farm day after day on their way to the post office, there is no real reason why we should have rural mail delivery at all. In addition, we are going to find that in the very near future we shall have to stop this service because we shall not be able to get tires for the automobiles used for rural mail delivery; we shall not be able to get gasoline to operate them, and the mailmen cannot go back to the horse and buggy because you cannot get the buggy and there are not enough horses in this part of the country.

This same question comes up each year and is debated. Rural mail carriers and organizations of rural mail carriers send letters to every hon. member asking that they be taken into the civil service; that they be made permanent, although the system is that they tender for the contract and set their own price. After having got the price set by cutting it down below somebody else, they come along and say that the price is not enough; that they want more. This goes on year after

Supply-Post Office

year when the estimates of the Postmaster General come up for discussion. I have some rural mail routes in my constituency—not many I will adimit—but—

Mr. BLACKMORE: Hear, hear.

Mr. ROSS (Moose Jaw)): My hon. friend says "hear, hear," but I imagine he has not done what I have in regard to this matter. When I came here seventeen years ago I went to the Post Office Department and said, "You will do me a great favour if you will never allow another rural mail route in my constituency." There has never been one put in since. Just a few days ago I got a letter from the Post Office Department, the type that often comes through, informing me that a contract for a rural mail route would be up for tender on a certain date. I replied to the Post Office Department asking that they make an investigation to see if it would not be possible to cut out the rural mail routes in my constituency. I do not believe in them. What is the use of having rural mail routes out of one or two towns in a constituency and none out of the others?

Mr. GRAYDON: Are you on a rural mail route?

Mr. ROSS (Moose Jaw): No, I am not.

Mr. GRAYDON: That is the answer.

Mr. ROSS (Moose Jaw): No, it is not; I live in the city.

Mr. GRAYDON: Do all city people want them taken off?

Mr. ROSS (Moose Jaw): When I want my mail at the farm I go and get it, like all the other farmers in that district.

An hon. MEMBER: You are never there.

Mr. ROSS (Moose Jaw): Yes, I am often there.

Mr. MacNICOL: Do you ever farm?

Mr. ROSS (Moose Jaw): Yes, I have farmed, and my hon. friend does not need to say anything about that. He does not know the difference between a farm and a block in the city.

Mr. MacNICOL: I imagine I know a great deal more about farming than my hon. friend. I have done everything that needs to be done on the farm. My hon. friend lives in Moose Jaw.

Mr. ROSS (Moose Jaw): Yes, I admit that; everybody knows it. I do not see anything wrong with it.

[Mr. J. G. Ross.]

Mr. MacNICOL: I wager I can shock two sheaves to my hon. friend's one.

Mr. GRAYDON: Perhaps we can continue this next year when the agricultaral estimates are before the committee. I do not think this comes under post office. Is there any door-todoor delivery in Moose Jaw?

Mr. ROSS (Moose Jaw): Yes.

Mr. GRAYDON: Are you asking that that be done away with?

Mr. ROSS (Moose Jaw): I do not say that, no. You are not going to run up against the same trouble with door-to-door deliveries that you will with rural mail service. Many rural mail carriers are having difficulty in getting tires; they are finding that there is not enough money in their contracts for them to carry on. You are going to have to cut out a lot of them anyway. Conditions have been changing in this country in the last few years. My farm is nine miles from the post office, and there is no difficulty about getting the mail and never has been. Many of the farmers in our part of the country have to go that distance for their mail. I am not talking about the farmers in Ontario who may have to go a half a mile or a mile for their mail. The farms in Ontario are much smaller than those in our part of the country, and distances are not as great. This rural mail business has been a matter of political push for some time. It is a system of mass patronage. I am going to suggest to the Postmaster General that he cut out the whole thing as soon as possible and get rid of an expensive and unnecessary service in this country.

Mr. POULIOT: The hon. member for Moose Jaw (Mr. Ross), our esteemed colleague, is one of the brightest members of the house. He is qualified to hold several of the portfolios, but not that of the Postmaster General (Mr. Mulock). The hon. member is a farmer, but he is a gentleman farmer. He does not seem to know that in some parts of the country there are farmers who have no motor cars, who still use the old horse and buggy. The mail is carried express, but it is not railway express, and it is a great convenience to all the owners of rural mail boxes along the way. There are provinces which are a little behind the great province of Ontario; they do not have electricity all through the back country. Therefore it is a trouble for the farmers to keep batteries for their radios, and many of them do without.

As has been mentioned by the Minister of Agriculture (Mr. Gardiner) and others, there is a great scarcity of labour on the farm. It

would be difficult for many farmers to go nine miles, the distance mentioned by the hon. member for Moose Jaw, to the post office to get their mail. As I say, many of these farmers do not have motor cars or radios, and if they want to get news of their children who are in the army or know what is happening in the world they must get their daily newspapers. The farmers in my province get up early; they work from the rising of the sun to dusk. They do not work only from spring to the end of summer; their work goes on all year. Their horses may be worked all day, and it would be pretty hard to drive them to the post office and then perhaps arrive after it was closed.

I do not see why rural mail deliveries should be dispensed with, especially when we consider the facilities that are made available to people who live in cities. There are five daily air mail services between Ottawa and Toronto, between Ottawa and Montreal and between Montreal and Toronto. We are told that the revenue which is considerable covers the expense, but it is pretty hard to prove that that is the fact. These services are carried on at tremendous cost to the country. Several departments, especially the war departments, use the air mail more than their franking privileges, and this means that money comes out of one pocket of the government to go into another. If we compare our farmers with the urban population, we must say that Virgil, who lived 2,000 years ago, was wrong when he said, "O fortunatos nimium agricolas," "O happy people."

The city people are more fortunate than the majority of farmers when it comes to the delivery of mail. The hon. member for Moose Jaw has made a wonderful proposition. He had all the figures at his finger-tips and gave them to us, but it is a long time since there were representations from the rural mail carriers. I remember that the old superintendent was very angry at some people who were at the head of that movement, and quite properly so, because among those who were corresponding with the members there were, I admit, some promoters or fakers who were working mostly for themselves and not for the mail carriers. But when we think of the farmers in the back country who are anxious to get the news, the newspapers and their mail, and letters from their children who may be scattered here and there, I think we shall all agree that it is a good thing to provide them with these facilities and to help the farmer not only at the time of an agricultural fair. It is a great comfort to a

Supply-Post Office

farmer, after a long day's work in the fields, to sit quietly at home smoking his pipe and reading the newspaper he has found in the mail box near his home. Therefore I hope the minister will not follow the interesting but untimely advice of the hon. member for Moose Jaw but will think of the old-timers on the farm. The minister is a farmer himself and just as good a farmer-perhaps not better-as the hon, member for Moose Jaw. He knows that what I am telling him is true, and therefore I appeal to him now kindly to forget what the hon. member for Moose Jaw has said, and think rather of his own experience, of the satisfaction he himself derives from receiving newspapers and letters on his farm in the country. I know he enjoys that and appreciates that other farmers enjoy it too. Of course, I know he does not live in the back country, but only in the back country of the great city of Toronto; but let him think of those poor farmers who live far away from the city and need some of the small comforts of life and the pleasure which letters and newspapers give. I see the minister is smiling. I am sure he will leave these mail contracts in force.

Mr. MULOCK: The hon. member for Témiscouata and the hon. member for Peel can judge by the item itself that there is no intention to follow the very interesting and in many ways constructive suggestions of the hon. member for Moose Jaw. He drew attention to one difficulty which I think all members appreciate, that of maintaining the rural mail services particularly with motor vehicles, which in many places will have to give way to horses and buggies, and in the winter, to horses and cutters.

Mr. GRAYDON: Can they not get higher rationing?

Mr. MULOCK: So far as gasoline is concerned, arrangements have been made for that for some time, but you cannot do anything about tires. If the rubber is not available, it is not available.

Mr. MacKENZIE (Lambton-Kent): I am surprised at the remarks of the hon. member for Moose Jaw. They only demonstrate once more his peculiar viewpoint that if something does not appeal to his riding it is no good for the rest of the country. He talks about this service being uneconomical and referred particularly to Ontario, but I think he will find that rural mail in Ontario is paid much better pro rata for the amount of work done than in western Canada. He wants rural

Supply-Post Office

mail done away with entirely because people do not read papers any more; the people in the country do not need to be well informed, or he does not want them to be well informed, and therefore there is no reason for rural mail delivery! But when the question was put to him about mail delivery in Moose Jaw it was quite all right that Moose Jaw should have mail delivery.

Then he found fault with the tender system because the tenderers set the price themselves. If that were true of everybody in the country we would have a funny state of affairs here.

Rural mail carriers should also be done away with, he said, because there is not much rubber and gasoline to carry on the service. That is true of almost every line of business. Therefore I say, "sufficient to the day is the evil thereof". People employed in govern-ment service as a rule are paid fairly well, or they should be. There are perhaps one or two exceptions. The civil servants in the lower grades are not getting paid enough, but as a general rule people doing government service are paid fairly well. The rural mail carrier is one exception. On the whole the rural mail carrier gives splendid service. To be sure, they are on the tender system, and there is no justice or fairness in that because contracts which were made three or four years ago have to be renewed on the old basis although the cost of operations has risen very considerably within that time. The contracts that have been awarded recently, in this last year, have been, I am glad to say, probably 20 per cent higher than the old contracts. The officials of the Post Office Department are well aware of the plight of the rural mail carriers which has been brought before the officials of the department many times in the past. I myself have sat in with four or five different delegations which have visited the officials, and the department has promised to work out something that will put the rural mail carriers on a more fair and equitable basis, because they appreciate the splendid service that these carriers are giving throughout the dominion. This question has also been before the civil service commission and different departments, but I think it is now time that the Post Office Department came forward with some concrete system to give a fairer rate of remuneration to the rural mail carriers and put the work on a more equitable basis.

Mr. NICHOLSON: It is eleven o'clock, Mr. Chairman.

[Mr. H. A. MacKenzie.]

Mr. GRAYDON: Can we not finish this item?

Mr. CHURCH: I have just one question to ask.

The CHAIRMAN: I would suggest to hon. members that if it were possible to dispose of this item—there are only three items left over and we have been on the post office estimates for more than two days—

Mr. NICHOLSON: I have tried several times to get the floor, Mr. Chairman, and have listened to members speaking from the other side.

Mr. CHURCH: The question I wish to ask is the one I asked last year. What is the cost of distributing second-class mail, newspapers? The minister gave an estimate last year. I appreciate the great work which the newspapers are doing. They are doing war work. I think much of the work which is being done by our publicity bureau might be handed over to the newspapers because I realize what it costs to run a newspaper. They are having a tough time, and I think the government should help them out with publicity work. What was the cost of this second-class mail?

Mr. MULOCK: About \$4,500,000.

Mr. STIRLING: Mr. Chairman, I draw your attention to the fact that it is eleven o'clock.

Item stands.

Progress reported.

It being five minutes after eleven o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, July 30, 1942

The house met at eleven o'clock.

CONTROVERTED ELECTIONS

CONSTITUENCY OF STANSTEAD—NEW WRIT OF ELECTION—REFERENCE TO PRIVILEGES AND ELECTIONS COMMITTEE

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I should like to direct the attention of the Prime Minister and of the house to the concluding sentence of the statement made by Your Houour on the twenty-fifth of July, as reported in *Hansard* at page 4701. That sentence reads:

I shall therefore await the order of the house Before issuing a new writ for a new election for the electoral district of Stanstead.

The Prime Minister will recall the incident. I do not think we should disperse for the recess without consideration of this matter, and I therefore desire to ask the Prime Minister if the question has received the attention of the government and if he is prepared to present any motion to the house with regard thereto.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Yes, Mr. Speaker, I may say to my hon. friend that the government has given consideration to the matter, and I am prepared to make a motion immediately if I get the consent of the house. The matter is one which certainly should be referred to the committee on privileges and elections. I move:

That pursuant to the judgment of the Supreme Court of Canada, which on the twenty-ninth of June, 1942, annulled for illegal practices by agents the election of Robert Greig Davidson for the electoral district of Stanstead, and in view of section 71 of the Dominion Controverted Elections Act, the standing committee on privileges and elections be instructed to consider whether the house should order a new writ for an election in the said electoral district.

Motion agreed to.

PRINTING OF PARLIAMENT

CONCURRENCE IN THIRD AND FINAL REPORT OF JOINT COMMITTEE

Mr. VINCENT DUPUIS (Chambly-Rouville) moved:

That the third and final report of the joint committee of both houses on the printing of parliament be now concurred in.

He said: I notice that in Votes and Proceedings of the 24th instant, the date on which I presented the report, the titles of the documents do not appear. It is very important that these titles and references as contained in the list I have now before me be printed in Votes and Proceedings, so that in the volume which the library has, any hon. member who goes there can find the reference. I should like to move also that these titles and references be printed in Votes and Proceedings.

Mr. SPEAKER: Mr. Dupuis moves that the third and final report of the joint committee of both houses on the printing of parliament be now concurred in. Is it the pleasure of the house to adopt the motion?

Motion agreed to.

Mr. SPEAKER: I understand that the hon. member has another motion to make in connection with that report.

Mr. MACKENZIE (Vancouver Centre): With additional recommendations.

Mr. DUPUIS: I thought that it did not need any written motion. I merely call the attention of the house to the fact that *Votes and Proceedings* of the date mentioned does not contain the list of documents.

Mr. SPEAKER: The hon. member may give notice of motion. There is a long statement, I understand, that he wishes to have printed.

CARRIER PIGEONS

SUPPLEMENTARY RETURN WITH REGARD TO WAR USE AS MESSAGE CARRIERS

On the orders of the day:

Hon. N. A. McLARTY (Secretary of State): Mr. Speaker, I would lay on the table a supplementary return, which was suggested by the hon. member for Peterborough West (Mr. Fraser) yesterday, in regard to carrier pigeons.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

*HOUSING-MILITARY TRAINING PROJECTS-DWELLINGS IN CONGESTED CENTRES

Mr. MATTHEWS:

Is it the intention of the government to proceed with the erection of dwelling houses in centres congested as a result of military training projects?

Mr. ILSLEY: My colleague the Minister of Munitions and Supply is making a statement to-day on housing. I made one yesterday, and I suggest that these two statements be regarded as the answer to this question.

*HOUSING CONDITIONS AT GASPE, QUE.

Mr. ROY:

1. Is the government aware that a serious lack of living quarters exists at Gaspé, Gaspé county?

2. If so, will the government take measures to see that a sufficient number of dwellings at a low rental are placed at the disposal of families of moderate means, residing in the village?

3. Will the government make inquiry into the lack of houses there?

Mr. ILSLEY: Substantially the same observations apply to this question as I made in

regard to the one immediately preceding. The suggestion seems to be that the houses should be rented rather than owned; if so, it is a matter that should be taken up with my colleague the Minister of Munitions and Supply.

PERSONNEL LISTED IN DEFENCE TELEPHONE DIRECTORY

Mr. POULIOT:

Referring to the statement of the hon. Minister of National Defence, at page 3376 of *Hansard* of June 5, 1942, in relation to the persons listed in the telephone directory of the Department of National Defence dated March 1, 1942, so far as the army is concerned:

1. What are (a) the name, (b) the rank, (c) the age, (d) the military record, (e) the country of origin, and (f) the branch of each one of, first, the 142 persons said to be bilingual; second, the 134 or 137 persons, more or less, who have not resided in Canada during the past five years; third, the 131 persons "whose names appear in the directory and who have been moved away from headquarters since the directory was prepared"; fourth, all other persons appointed, seconded or transferred to the Department of National Defence (Army) since the directory was prepared and who are not listed in the said directory, but who have one or more telephones in their names in the dominion government exchange?

2. How many, if any, of the persons referred to in the second, third and fourth places in the previous question were (a) in the British army on September 1, 1939, and (b) stationed, for any time and at any time, at the British war office, and (c) who were they in each case?

Mr. RALSTON: Stands.

Mr. POULIOT: I rise at the same time to a point of order and to a double question of privilege. The point of order is as follows. Part of standing order 44, section 1, reads:

. . . but in putting any such question or in replying to the same no argument or opinion is to be offered, nor any facts stated, except so far as may be necessary to explain the same.

My point of order is that, at page 4518 of Hansard, July 22, the Minister of National Defence is reported as having said:

If the house will take the trouble to read the question it will find out how much detail is involved and how futile the work is after it is all done.

I submit, sir, that according to the standing orders of the House of Commons the Minister of National Defence has not the right to call such a question, or any other question, futile. This is the first point.

With regard to the first question of privilege, the minister stated that to answer the question would entail a large amount of work. Well, sir, if we look back to page 3105 of *Hansard*,

[Mr. Ilsley.]

June 5, it will be seen that on that occasion the minister gave the totals for which I asked, and to make the totals he necessarily had to have the particular cases at hand. Therefore, as he had them at hand, there is no excuse whatever for having waited from June 5 until now to give the house information which is not only available, but which had been already summed up in the Department of National Defence to answer the question on June 5.

My second question of privilege is this. After the minister had called that question futile there were some observations along the same line in an editorial which appeared in one of the newspapers in the city of Ottawa, the title of which seemed to have been written by a Chinese, because it starts from the end to get to the beginning of my name. That is the way Chinese books are written. I object especially to this part of the editorial:

If his long question of the other day asking for all the names and positions and ages and duties of everyone in the National Defence headquarters served the country to the extent that it would take the time of officers of headquarters to answer it then his question must be accepted. If Mr. Pouliot's humorous sallies (he must believe they are humorous for they have no possible other value) delivered almost to the extent that their work is improved and speeded up, then his sallies must be suffered.

I would not mind that kind of stuff if it had not been evidently inspired, probably by civilians in uniform in the Department of National Defence, the list of whom was tabled as sessional paper 350 of this session, at my request.

Mr. RALSTON: Mr. Speaker, I do not think my hon friend is dealing with a question of privilege. As I understand the rule, when a member rises to a question of privilege he states the facts and the house takes note of them. My hon. friend has no right to discuss the question of the inspiration of the article. The article speaks for itself, and my hon. friend, speaking to a question of privilege, has no right to go out of his way to abuse people who are not mentioned in the article.

Mr. POULIOT: In the first place, Mr. Speaker, when a member speaks to a question of privilege no other member has the right to interrupt him. No one may interrupt him but the Chair—

Mr. RALSTON: On a point of order-

Mr. POULIOT: —and I would ask the minister to keep quiet.

Mr. RALSTON: Mr. Speaker, on a point of order—

4972

Mr. POULIOT: I have great respect for the Chair-

Mr. SPEAKER: There is a point of order.

Mr. RALSTON: I am interrupting on a point of order. My point is that my hon. friend in rising to a question of privilege with reference to the article should indicate the statement to which he objects, and state the impropriety of it with relation to himself as a member of this house. But he has no right, as I have pointed out, in stating his question of privilege, to abuse people who are not in any way on the record and who are not here to answer for themselves, nor has he the right to impute motives to others not mentioned in the article.

Mr. POULIOT: I will summarize the matter in a sentence. It is that so long as the Minister of National Defence defends those civilians in uniform I am satisfied, but I am most dissatisfied that he should call me friend. What are his enemies, then? I am not his enemy but I object-

Some hon, MEMBERS: Order.

Mr. SPEAKER: I understand the minister wishes to speak.

Mr. RALSTON: My hon. friend-

Mr. POULIOT: No!

Mr. RALSTON: I withdraw the charge. The hon. member for Témiscouata (Mr. Pouliot) has taken three points, first on a question of order. He says that what I said on July 21 should not have been stated in answer to the question, and he cites a rule that answers to questions shall be responsive to the questions which are asked. May I point out that the statement I made on July 22 was not a statement in answer to a question which was on the order paper, but was a statement in answer to a complaint which my hon. friend made to the effect that the question on the order paper had not been answered and that sufficient time had been given for it, and with the sarcastic remark that he was sure he would be lucky in following the example set by the leader of the opposi-tion (Mr. Hanson) in asking for a reply tomorrow. The answer which he has read was made in reply to that statement. There is no point of order at all. He has read my reply. to the criticism he then made, and my reply stands, subject to your ruling, Mr. Speaker.

With regard to the matter of privilege, I submit that there is no question of privilege on the point whether or not a question shall be answered and how quickly it shall be 44561-314

answered. I have already stated that I have given instructions to my department that this question is to take its usual turn. I do not regard the information as important in the public interest, nor the work involved in getting it as being nearly so important as some of the activities that are being engaged in at the department. But that does not mean that it has been slowed up. As a matter of fact, I made inquiries yesterday morning and they are getting the information as quickly as they can. Reference is made to 410 officers. Some of them are not in the department at all. Some have come to the department since the telephone book was published. The request is for the name, rank, age, military record, country of origin and branch of each one of 142 persons who are said to be bilingual; secondly, 137 persons who have not resided in Canada during the past five years; thirdly, 131 persons whose names appeared in the directory and who have been moved away from headquarters; and in the fourth place, people who have come to headquarters since the directory was published and whose names are not listed. Then it asks, in addition to all that, how many of all these persons, except the first 142 were in the British army on September 1, 1939. That involves a number of cases that must be inquired into individually, because one cannot give an answer to the question until one has made a complete inquiry of all these persons, nearly 400 of them. The next question is, were they stationed from time to time at the British war office. In that regard one must also make the same inquiry of them. And thirdly, who were they, in each particular case.

On the question of privilege, respecting the time taken to answer the question, my hon. friend has no ground whatever. With regard to the second question of privilege, with respect to the editorial, I am not responsible for that article. It may have been inspired by what I said in the house, but I do not know. At any rate, that is a matter for the editor of the paper and I can assure my hon.-the hon. member for Témiscouata, of this-

Some hon. MEMBERS: Dropped.

by anyone in the Department of National Defence.

Some hon. MEMBERS: Dropped.

Mr. POULIOT: Mr. Speaker, I thank the minister for his friendly answer and I hope that I get the information on January 27, 1943.

REVISED EDITION

Questions

Mr. RALSTON: You will get it before that.

Mr. POULIOT: But, sir, may I be permitted to quote correctly one statement made by the minister at page 4518 of *Hansard* of July 22:

If the house will take the trouble to read the question it will find out how much detail is involved and how futile the work is after it is all done.

Mr. Pouliot: Mr. Speaker, I protest strongly against the words of the leader of the opposition.

I made that statement after the minister had called my question futile.

Some hon. MEMBERS: Dropped.

Mr. SPEAKER: A question of privilege has been raised by the hon. member for Témiscouata (Mr. Pouliot). That of course is a privilege which may be exercised by all members of the house, but it is one that should not be taken advantage of unduly or unnecessarily. When a question of privilege is before the house the member who complains should state as briefly and concisely as possible what it is that he complains of, and make whatever rebuttal is necessary. To-day I would say there has been no question of privilege in the matters placed before the house by the hon. member for Témiscouata. The hon. member had the right to inquire with regard to the answer to the question he has placed upon the order paper. The minister in charge has given his reply to it.

Some hon. MEMBERS: Dropped.

Question stands.

MANUFACTURE OF GLUE

Mr. DIEFENBAKER:

1. Has the government recently let a contract or otherwise made arrangements for the production or manufacture of animal glues?

2. If so, to what company and upon what terms?

3. Are there any glue factories in Canada that manufacture animal glues?

4. If so, where are they located?

5. Were the Canadian companies given an opportunity to tender for the contract?

6. Have arrangements been made whereby export to the United States of necessary raw materials for glue manufacture and the return to Canada of the glue made from the said raw materials will be permitted?

7. If so, what quantity of raw material may be exported and what quantity or percentage of the glue produced trom the said raw materials is to be returned to this country?

Mr. ILSLEY:

1. No. Informal arrangements have been made whereby dry prairie bones many be [Mr. Pouliot.] shipped to glue manufacturers in the United States on condition that two-thirds of the glue produced therefrom will be returned to Canada if required.

2. Answered by 1.

3. Yes.

4. W. Harris & Co., Limited, Toronto; Canada Glue Company Limited, Brantford; Meredith, Simmons & Co., Limited, Toronto; and Canac-Marquis Limited, Quebec.

5. Answered by 1.

6. Answered by 1.

7. Answered by 1.

GASOLINE RATIONING-USE OF TRUCKS BY FARMERS

Mr. DIEFENBAKER:

1. Has the government given consideration to directing the issue of a blanket permit to farmers who have no other means of transportation than farm trucks whereby they may use their farm trucks for their personal transportation subject to conformity with gasoline and rubber restrictive regulations?

2. If so, what decision has been arrived at?

Mr. ILSLEY:

1. Yes.

2. After careful consideration it was decided not to issue blanket permits as it is imperative to have effective control over the operation of farm trucks in order not only to save gasoline but also to conserve existing equipment since the manufacture of new trucks and equipment has been diverted almost entirely to war purposes. However, individual permits are readily granted to farmers without other means of transportation for themselves, their families, employees and neighbours, and these permits are obtainable in every province without formality.

FAIRMONT RUBBER COMPANY

Mr. HATFIELD:

1. When was the Fairmont Rubber Company formed?

2. What are the names of the directors and what were their former occupations?

3. What is their connection, if any, with the H. Muehlstein & Co., 122 East 44th street, New York?

4. Is the rubber shipped by salvage committees invoiced to H. Muehlstein & Co.? If so, Why?

Mr. HOWE:

1. Fairmont Company Limited was formed May 16, 1940. Reference No. 107283.

2. H. C. Jeffries, president and director; former occupation, president, Viceroy Manufacturing Company Limited, 345 Royce avenue,

4974

Toronto; J. A. Hodgson, vice-president and managing director; former occupation, partner, C. J. Hodgson & Co., 360 St. James street W., Montreal; W. G. Jephcott, secretary-treasurer and director; former occupation, partner, P. S. Ross & Sons, Royal Bank Building, Toronto; F. G. Donaldson, director; former occupation, president, Montreal Trust Co., Montreal; T. C. Lockwood, director; controller, former occupation, transport Ottawa; H. C. F. Mockridge, director; former occupation, barrister-at-law, Osler, Hoskin & Harcourt, Dominion Bank Building, Toronto; D. A. Paterson, director, former occupation, H. A. Astlett & Co., 64 Water street, New York, N.Y.

3. None whatever, directly or indirectly.

4. H. Muehlstein & Company, Inc., have been the chief suppliers of scrap rubber to the Dominion Rubber Company regenerating plant in Montreal for a number of years, and are still supplying them under contract. When Fairmont Company first entered the scrap rubber field, and during the organization period, in order that there should be no delay in getting scrap rubber collected by salvage committees into the war effort, certain cars which were shipped to Dominion Rubber Company, were on instructions of Fairmont Company, invoiced to H. Muehlstein & Company, Inc. In each case H. Muehlstein & Company, Inc., agreed with Fairmont Company Limited to pay the salvage committee the full and correct price offered by Fairmont Company Limited, and also to assume all freight charges from point of shipment, so that in each case the salvage committees received the same number of dollars for the scrap rubber which they shipped as they would have received had they dealt only with Fairmont Company Limited. All scrap rubber sold by H. Muehlstein & Company, Inc., to Dominion Rubber Company was invoiced by the former to the latter at contract prices which are less than the prices which would have been charged by Fairmont Company to Dominion Rubber Company for the same scrap rubber.

VITAMIN B BREAD

Mr. DUBOIS:

What is the government doing to encourage the use of flour with vitamin B for the making of Canada approved bread?

Mr. MACKENZIE (Vancouver Centre): Vitamin B white bread (Canada approved) and vitamin B bread (Canada approved) can only be made with vitamin B white flour (Canada approved) and vitamin B flour 44561-3143

Questions

(Canada approved) respectively. Hence, any encouragement in the use of the said breads is an encouragement in the use of the said flours.

The original announcements in the press have been followed by radio broadcasts, preparation of articles for publications reaching the housewife, informative talks to and correspondence with the managements of cafeterias in war industries and the purchasing authorities of many departments of the government, all of which form part of a comprehensive educational programme in nutrition which is being promoted by the department.

*MIDDLE CAPE, N.S., STORAGE MAGAZINE-SWIVEL POINT GUARDS' QUARTERS

Mr. GILLIS:

1. What was the total cost of the storage magazine at Middle Cape, Cape Breton, Nova Scotia?

2. Was the site for the magazine changed after tenders were opened?

3. If so, what was the reason for such change? 4. What additional cost, if any, was there on the new location over the previous tender?

5. Were tenders called for building of guards' quarters at Swivel Point, Cape Breton, Nova Scotia?

6. If so, what was the estimated cost of such quarters and the cost when completed?

7. Was the location changed after tenders were closed?

8. If so, what was the additional cost, if any; occasioned by the change of location?

Mr. RALSTON:

1. \$33,780.

2. Yes.

3. The change was in the interest of security and safety. It was because of its contiguity to another establishment the site of which I think the hon. member knows.

- 4. \$956.
- 5. No.

6, 7 and 8. In view of the answer to question 5, these questions are not applicable.

NEW BRUNSWICK AND NOVA SCOTIA MILK CONTROL BOARD

Mr. PURDY:

1. Who are the members of the New Brunswick and Nova Scotia milk control board?

2. By whom were they appointed?

3. What remuneration do they receive?

4. What were their occupations in business life?

Mr. ILSLEY: This information is not of official government record.

*CANADIAN WOMEN'S ARMY CORPS—OTTAWA LADIES' COLLEGE PROPERTY

Mr. FRASER (Peterborough West):

1. What price was paid for the acquisition of the Ottawa Ladies' College for the Canadian Women's Army Corps?

2. What was, (a) the assessed value of the property; (b) the insured value, without furnishings, at time of purchase?

3. What real estate firm handled the project, and what commissions were paid?

4. What mortgages were held, in what amount, and to whom payable?

5. To what body is the purchase money payable?

Mr. RALSTON: I can answer orally except as to the assessed value. The real point of the question is as to the price paid. The price has not been fixed. The property is being taken over. If a satisfactory price is not agreed upon, the value will be fixed by the exchequer court. I think perhaps that answers the question as far as my hon. friend needs it. I do not think any real estate firm was engaged. I know the real estate adviser of the department was in direct communication with Mr. Fraser Elliott, who is the chairman of the board of directors.

Mr. FRASER (Peterborough West): Could we have the mortgages?

Mr. RALSTON: If there is any further information my friend wants I will endeavour to get it, but I should like to have the question considered as answered now.

*NATIONAL RESEARCH COUNCIL-EMPLOYEES

Mr. CARDIFF:

1. How many persons are employed by the national research council?

 $2. \ {\rm What}$ is the nationality of all persons so employed?

Mr. MacKINNON (Edmonton West):

1. The total number of employees of the national research council, as of July 17, 1942, was 1,036.

2. In order to give an exact answer to the second question it will be necessary to examine the personal file of each of the 1,036 employees, and this in turn involves the collecting of all such files as are at present in use and distributed throughout the entire organization. Consequently, to secure this information within two or three days would be extremely difficult and cause considerable disruption of work. In view of the fact that the end of the business of this part of the session is so close at hand it may be sufficient for the hon. member's purpose if I state that I am informed [Mr. IIsley.]

by the personnel officer of the national research council that he is satisfied that all employees of the council are British subjects, with the exception of not more than six United States citizens and one Belgian citizen. In addition, all employees of the council, including both the regular peace-time staff and the temporary war staff, have been investigated by the Royal Canadian Mounted Police. The policy of having such an investigation made in connection with each appointee was adopted some time ago.

Mr. HANSON (York-Sunbury): That answers the question as far as it goes, but I think the hon. member has something more in mind. I understood that at one time there were officers in the national research council of German nationality. What it is desired to know is if there are any of them left, and if any of those who are now of British nationality are of German origin.

Mr. MacKINNON (Edmonton West): My purpose in answering this question this morning instead of having it stand was to oblige the hon. member who asked the question, because if I simply said "stand" the information could not be brought down in part or in whole before adjournment. If the hon. member wishes to put another question on the order paper he can do so, but I believe the answer given by me fully covers the staff as at present organized.

INCOME TAX—ESTIMATED REVENUE FROM SALARY DEDUCTIONS FOR TAX PURPOSES

Mr. ROY:

What is the estimated amount that will be received by the government from taxes deducted from salaries during the fiscal year 1942-43?

Mr. ILSLEY: In the budget speech delivered in the House of Commons on June 23, 1942, the Minister of Finance forecast personal income tax in the fiscal year ending March 31, 1942, to amount to \$435,000,000. This amount represents income tax collected on salaries and all other personal income. There has been no estimate made of the amount to be collected from income tax on salaries alone.

QUESTIONS PASSED AS ORDERS FOR RETURNS

WARTIME PRICES AND TRADE BOARD-COSTS

Mr. CASTLEDEN:

What is the total cost to the government of Canada of the wartime prices and trade board as on April 30, 1942, under the following headings, (a) wages and salaries to employees, (b) rentals, travelling expenses, office furniture and equipment, (c) advertising, (d) subsidies,(i) domestic goods, (ii) imported goods?

R.C.A.F. (WOMEN'S DIVISION)-UNIFORMS

Mr. FRASER (Peterborough West):

1. How many officers and how many airwomen are enlisted in the Royal Canadian Air Force (women's division)?

2. What contracts had been let to June 1, 1942, and in what quantities, for, (a) winter uniforms, complete; (b) summer outfits, complete?

3. To whom were these let, and in what amount?

4. Is any change contemplated now in the winter uniform of, (a) officers, (b) airwomen, (c) if so, what, (d) on whose recommendation, (e) why, (f) what designers or contractors have been asked or have submitted models?

5. If any changes are made, how will the cost of new issues be met, (a) for officers, (b) for airwomen, (c) what will be the cost to the treasury?

6. What will be done with, (a) stores in hand, (b) uniforms in use?

7. Are the material, man-power and general production conditions such as will justify the suggested changes at this time?

FERNAND CHOQUETTE

Mr. ROY:

1. Has Mr. Fernand Choquette, lawyer of Montmagny, Quebec, been employed by the government during the years 1935 to 1940, inclusive?

2. If so, (a) in what capacity, (b) what amount was paid to him during each of these years?

NATIONAL DEFENCE

QUESTION AS TO ORGANIZATION IN VIEW OF WAR DEVELOPMENTS

On the orders of the day:

Mr. J. SASSEVILLE ROY (Gaspé): There is a worry from which I cannot get away, and before the house adjourns until next year I should like to ask a question of the Prime Minister. Having in mind the ever-growing uncertainty resulting from the gravity of present war figures, is the government considering the imperative necessity, for our survival, of consecrating all Canada's energies to the immediate organization of the country's defence?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I have just seen the hon. member's question for the first time. May I say to my hon. friend that the government is taking all possible steps for the defence of Canada and devoting to the full its thought and energy to that end.

Housing

HOUSING

WARTIME HOUSING LIMITED—ARRANGEMENTS RESPECTING FAMILIES OF MEN OVERSEAS AND CERTAIN PERMANENT RESIDENTS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): Yesterday I received two telegrams in regard to the very serious housing situation in Toronto. One is from Mayor Conboy and City Clerk J. W. Somers, O.B.E. I should like to ask the Minister of Finance (Mr. Ilsley) whether there will be a statement regarding the availability of material and the issue of some instructions based on a policy of housing? Thousands of houses are very much needed and to build them will take some time.

Mr. ILSLEY: In a minute or two.

Hon. C. D. HOWE (Minister of Munitions and Supply): On the orders of the day, yesterday, I undertook to make a statement on Wartime Housing, and the part that it is intended to play in meeting the housing requirements, particularly of munitions workers, and also in meeting the needs of cities and municipalities in their general housing problem.

Wartime Housing Limited is a crown company charged with the responsibility of providing necessary housing for workers in war industries. The houses built by this corporation vary in size to suit varying family needs. It has been the purpose to build comfortable houses in pleasant surroundings at a minimum of cost, to meet the requirements of a temporary population. The intention is that after the war, when the population tends to return to its former localities, such of war-time houses as are not then required will be moved from the cities, or sold, to be converted into permanent homes.

Agreements have been made with the cities and provincial governments covering payments for services to suit the needs of a temporary situation. Wartime Housing Limited pays for its own local improvements and requires no expenditure on the part of the city. The houses are well spaced, and adequate playground facilities are provided where a considerable number of houses are grouped. In my opinion, the housing units are attractive, and the houses themselves are a source of pride to the tenants. While I have heard the houses criticized in this house, I have yet to receive a complaint from one of the tenants.

The houses are built by mass production methods, which is the only practical way of

Housing

keeping up with the rapidly expanding requirements of the war industries. Lumber, hardware, fixtures, and other supplies, are purchased at wholesale prices, and a minimum of scarce materials is released to these projects by the government controllers. I know of no other method of building quickly a large number of houses under present conditions.

In addition to houses for families, staff houses are built to accommodate unmarried munitions workers, these staff houses containing a cafeteria and limited recreational facilities. These staff houses are, in general, well managed, and all are filled to capacity.

While Wartime Housing Limited is charged particularly with responsibility for providing housing required by war industry, it is recognized that cities and municipalities have a serious problem in providing housing for their permanent population, not directly engaged in war production. Wartime Housing Limited has in the past assisted cities in meeting this problem, and is prepared to do so in the future to an increasing extent. It must be recognized that housing for permanent population is the responsibility of the city or municipality, and therefore Wartime Housing Limited can assist the local authority, but cannot assume the full burden.

A plan has been worked out, and is now in operation, whereby Wartime Housing Limited will build a reasonable number of houses of a design, or designs, to be mutually agreed upon with the local authority, under the following conditions:

1. Building area, or areas, to be zoned for residential purposes and no inferior houses to be erected therein;

2. Site, or sites, to be conveyed by the city to the company for a nominal consideration, subject to reconveyance back on the termination of the project;

3. Cost of construction of houses, streets, grading, water, sewers, and other necessary improvements, to be paid by Wartime Housing Limited;

4. The city undertakes to lease the housing project for the duration of the war plus five years thereafter, at a rental to be agreed upon, and the city further agrees to administer the project and bear the expenses of administration, renting the houses to deserving citizens at reasonable rentals;

5. The company will make payment for services to the city as called for under the usual wartime housing municipal agreement; [Mr. Howe.] 6. Reasonable arrangements to be made for the disposal of assets at the termination of the agreement.

Under such an arrangement, the federal government is prepared to bear the capital cost of facilities required to meet the problems of the families of men serving overseas, and other deserving cases of hardship to permanent residents.

It must be recognized that the case of a war worker in a munitions plant, brought to a city for temporary residence, differs materially from the case of a permanent resident, dispossessed by the sale of property previously rented, or by other circumstances beyond the control of the tenant. The former has been accepted by the federal government as its responsibility, but the latter is definitely the responsibility of the local authorities. In helping to solve both problems, the government, through Wartime Housing, is doing all in its power to avoid hardships arising out of housing difficulties, at a time when private building is greatly handicapped by material shortages.

Mr. T. L. CHURCH (Broadview): I suggest that \$3,000,000 would hardly solve the problem in Ottawa alone. Could not consideration be given in the recess to increasing the amount to \$10,000,000 for this and the next fiscal year?

Mr. M. J. COLDWELL (Rosetown-Biggar): Did I understand the minister to say he had received no complaints from the tenants regarding these wartime houses? I sent him a signed petition some time ago from tenants in Hull. Did he not receive it?

Mr. HOWE: It did not come to my attention. It might have been handled by my secretarial staff, but I did not see it. What was the nature of the petition? What were they asking for—lower rents?

Mr. COLDWELL: Yes. The complaint was mainly regarding rent.

Mr. HOWE: Everyone would like lower rents.

Mr. COLDWELL: But the minister should look at the houses and see what they are getting for their rent.

Mr. HOWE: They do not have to live in them.

Mr. CHURCH: I hope none of the material to be used will be stolen from the C.C.F. platform.

Labour Conditions

WHEAT

ARRANGEMENTS FOR HANDLING 1942 CROP-STORAGE ON FARMS

On the orders of the day:

Mr. T. C. DOUGLAS (Weyburn): Will the Minister of Trade and Commerce undertake, before the house adjourns, to acquaint hon. members with the plans of the wheat board for handling the 1942 crop? Hon. members will be scattering to their homes; we are now getting close to harvesting, and hon. members will be bombarded with questions relating to the terms and conditions under which the 1942 crop will be handled. Would the minister undertake to give us some statement before we adjourn?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I doubt very much whether I shall be ready to make any statement on the point mentioned before the house adjourns. If we are here for some days yet I imagine I may be able to do so, and I shall be very glad to do so; but if the information is not available which would enable me to make a statement before the end of this part of the session, I shall do so as soon as possible through the press. However, I think the announcement will be made and information given to farmers of western Canada by the wheat board, over the radio and through the press, as to the result of their decisions.

Hon. R. B. HANSON (Leader of the Opposition): If the minister cannot give a complete answer now, will he say whether a decision has been arrived at as to whether the wheat board or the government propose to pay farmers for storage on their farms?

Mr. MacKINNON (Edmonton West): No decision has been reached as yet on that point.

Mr. DOUGLAS (Weyburn): Has any decision been reached with reference to giving farmers assistance in securing materials for the construction of storage facilities?

Mr. MacKINNON (Edmonton West): That matter is not connected with my department, at least directly; I think it is a matter for the province in the first place, and then possibly for representations to this government if the province is unable to handle it. But in spite of the fact that it is not a direct responsibility of my department, considerable attention is being given to that phase of the matter at the present time.

Mr. DOUGLAS (Weyburn): Did the minister say it was a responsibility of the province?

Mr. MacKINNON (Edmonton West): Yes.

SUPPLEMENTARY ESTIMATES, 1942-43

A message from His Excellency the Governor General transmitting supplementary estimates for the financial year ending March 31, 1943, was presented by Hon. J. L. Ilsley (Minister of Finance), read by Mr. Speaker to the house, and referred to the committee of supply.

LABOUR CONDITIONS

SHORTAGE OF FARM HELP-HARVEST LEAVE FOR MEMBERS OF ARMED FORCES

On the orders of the day:

Mr. ROBERT FAIR (Battle River): I should like to direct attention of the appropriate minister to a telegram I received just before entering the house. It is dated at Chauvin, Alberta, July 29, and reads:

In view of extreme urgency harvest labour situation we urge that you do all possible to have available man-power released for farm work this season. Necessity of ceiling on farm labour and harvesting operation prices indicates definite action required in this direction immediately.

> Chauvin and District Board of Trade Council of the Village of Chauvin

This question was brought up on different occasions, and so far nothing definite has been decided. I should like to know this morning what the position is, because the house is likely to adjourn shortly.

Hon. J. L. RALSTON (Minister of National Defence): Speaking for the armed services may I say that the hon. member is not quite correct. The house will perhaps recall that I made what at least I regarded as a complete statement about a week ago. I followed that up by seeing to it that the order which had gone out was sent to all districts. That was an order providing that in respect of certain personnel harvesting leave could be granted at the discretion of the district officer commanding always having regard to military exigencies. I pointed out when I spoke that the units from which that leave could be granted were very limited, and I believe that the order was limited to depots and veteran guards.

Those orders have been given. Further than that I cannot go, except to say that in individual cases, where compassionate grounds are shown, leave might be granted for harvesting. Compassionate cases, however, do not apply particularly for harvesting leave, but for any situation covered by those regulations. If members of the forces come within the compassionate leave provision, then the

C.N.R.—Guarantee of Securities

district officers commanding are permitted to grant leave, if they consider the military exigencies permit.

Mr. DOUGLAS (Weyburn): To whom must proof of grounds for compassionate leave be submitted? Would it be to the national war services board in the military district, or to the officer commanding?

Mr. RALSTON: It is submitted to the commanding officer of the unit. He makes his examination and refers it to the district officer commanding.

Mr. FAIR: I was aware the Minister of National Defence had made the statement he has just reiterated. I think we have to hear from the Minister of Finance; he has been silent on the matter.

CANADIAN FORCES

INEQUALITIES IN PAY AND ALLOWANCES

On the orders of the day:

Mr. T. L. CHURCH (Broadview): May I ask the Minister of National Defence if during the adjournment he and his defence colleagues will give consideration to the pay received by members of his majesty's forces, so as to remove the inequalities and injustices which exist in the present schedules of pay and allowances for the three arms of the services?

Hon. J. L. RALSTON (Minister of National Defence): I will note my hon. friend's question, and give consideration to it.

CANADIAN NATIONAL RAILWAYS

PROVISION TO MEET CERTAIN EXPENDITURES AND GUARANTEE OF SECURITIES AND INDEBTEDNESS

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 124, to authorize the provision of moneys to meet certain capital expenditures made and capital indebtedness incurred by the Canadian National Railway system during the calendar year 1942, to provide for the refunding of financial obligations and to authorize the guarantee by his majesty of certain securities to be issued by the Canadian National Railway Company.

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

On section 1-Short title.

Mr. HANSON (York-Sunbury): Will the minister be good enough to place on *Hansard* [Mr. Ralston.t the table showing loans maturing in the United States and falling due from time to time, issued by the Canadian National Railways and guaranteed by the government of Canada? I have referred to this matter on one or two occasions. The minister has prepared such a table, which I have had the opportunity of seeing, and I should like to have it a matter of public record.

Mr. HARRIS (Danforth): Perhaps the minister might make comment on a few observations I should like to make as to the general policy of asking this house to provide the entire moneys necessary not only for the capital obligations maturing but also for betterments and for additions. In days gone by these amounts became an out-ofproportion capital charge against the organization known as the Canadian National Railways, owing to the fact that it was unable to pay interest. No doubt some of that interest was capitalized in those days. At the same time I presume the minister will give us some idea as to what proportion of these obligations may be coming due in the United States and in sterling. When the railway company or any public ownership enterprise is short of funds or has a deficit, as has obtained to a very great degree in days gone by in connection with this railway, they borrow more money from the government of Canada. When there are flowing revenues and surpluses it should be the policy at least to pay for the betterments, general additions and purchases of new equipment, out of surpluses they are accumulating. That obtains in ordinary private business, and if our publicly owned enterprises are to succeed it should obtain in connection with them, also, more than it does at the present time.

Mr. CHURCH: With regard to this method of financing, we should have an explanation from one of the ministers as to the amount of bonds and other securities paid off out of income, if any, and the principal amount due. Railway rates are too high to-day, when we allow for surpluses and the amount of money the railways are making out of the war. Some of these amounts should be retired. The bill authorizes the Canadian National Railway Company to issue bonds or other securities, not exceeding \$22,360,000 in principal amount, to provide the amounts necessary to meet capital expenditures during the year 1942 for the retirement of maturing capital obligations. Then we find that the word "betterments" is included in the explanatory note,

C.N.R.—Guarantee of Securities

and there is a reference to the purchase of new equipment. I have failed to see any new equipment, and I travel a good deal on the railways. In Ontario we are the neglected province, particularly when one compares the equipment given to the United States affiliations of the system with that given in Ontario, and particularly that allotted to the use of the soldiers.

As a private member of this house I must say that I am surprised to see on a railway called the National railway cars that are not fit for human habitation, used by soldiers going to camps in Ontario.

We should have some statement as to the policy of the government with regard to this railroad and its war work. I know that a reference of the railway estimates is made to the railway committee but we never hear from it until the dying hours of the session. The Canadian National Railway charges soldiers' dependents \$2.40 to go up to Camp Borden for the week-end. That is ridiculous, particularly when there are hundreds of cars that could be used. That is just one example. Similar rates apply to various other camps near the city and across Canada, and it hurts recruiting. I do not think it is fair on a railway that is called the National railway to have some of the cars that I see used for transporting the troops to and from camps. I do not blame the present government for it; I do not blame anybody, but I ask that some improvement be made in equipment.

Mr. ILSLEY: Mr. Chairman, I have here the table requested by the leader of the opposition. It is a long table, but I think it can be printed in *Hansard*:

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JULY 30, 1942

4983

C.N.R.—Guarantee of Securities

Mr. ILSLEY: The hon. member for Danforth asked what amounts are coming due this year payable in United States funds. We have payable in Canadian currency, \$4,089,141; payable in Canadian or United States currency, \$2,250,000; payable in United States currency, \$2,407,000; payable in sterling, \$1,049,117; making a total of \$9,795,258.

As to the other question that has been raised, the advisability or possibility of paying for additions and betterments out of revenues, the acting Minister of Transport will make a statement.

Mr. HOWE: Mr. Chairman, the railway follows the standard practice for accounting set up by the interstate commerce commission, which has been adopted by the government as standard' practice for the railway. It provides for certain items being charged to maintenance, certain to operating expenses, and certain others to capital, and the segregations are quite sharp. The Canadian National Railway, of course, is making substantial earnings now over all charges-that is, over the requirements of the funded debt, maintenance, depreciation and the retirement of equipment trust certificates as they come due. Theoretically, that is, if there were no standard accounting practice, these funds could be used, I suppose, to build new equipment; but it must be borne in mind that 40 per cent of the railway income is paid to the federal government in taxes, and anything over standard profits, which is not likely to be earned, would be paid to the government in one form or another.

As a matter of fact the Canadian National Railway has always been short of working capital. At a time such as the present, when large stocks are required to overcome material shortages, the railway is very short of working capital, and any surplus earnings this year will be devoted, I think, to building up working capital. The Canadian National-Canadian Pacific Act requires that all earnings of the railway shall be returned to the government, and it is really for the government to agree with the railway as to what disposition can be made of its earnings. Under the act they must be paid into the federal treasury. I would also point out that under the Canadian National-Canadian Pacific Act not one dollar can be spent for capital improvements, either rolling stock or otherwise, except by vote of parliament. Canadian National Steamships have been earning substantial surpluses for some years, yet an item is necessary in the estimates to provide for capital expenses, and the capital expenses are voted by parliament even though they could easily be paid out of surplus.

Mr. HARRIS (Danforth): Mr. Chairman, I do not want to prolong the discussion, but the minister knows that the accounting practice of the Canadian National railway system is not exactly on all fours with the practice of the interstate commerce commission. True that is with regard to equipment trusts, and with regard to the major items which control the accounting practice of all class A railways in the United States; but the minister knows that the practice followed in the case of class A railways governed by the interstate commerce commission permits the setting up of depreciation charges for a large portion of the equipment, and these depreciation charges are earned out of the operations and are written off from year to year to a much greater extent than obtains in the Canadian National railway system. Under practice here, and it receives the approval of a large body of public opinion, as it applies to equipment trusts and so forth, once a piece of equipment of any kind is capitalized and goes on the books of the organization, the sum of money which it represents remains there at its full value until that particular piece of equipment is retired to the scrap heap, and then it is written off. That practice does not entirely obtain under the interstate commerce commission with regard to class A railways in the United States.

I am making these observations not in any critical spirit, but constructively, so that in the next twenty-five years we may have an end point to the mounting capital structure of the Canadian National railway system, and not let that end point come through having to discard entirely the capitalized equipment which is at present in the system. What obtains in this regard obtains also in regard to the accounting practice of the other Canadian railway, which is not on all fours with that followed by the Canadian National railway system.

Mr. HOWE: We have been working for some years toward following the whole interstate commerce commission accounting practice. Last year we set up a depreciation fund of over \$9,000,000 for equipment. My understanding is that we do conform fully to the interstate commerce commission accounting practice. That is a matter of opinion, but at all events we are practically at that point of dropping the old practice of retiring assets and coming under interstate commerce commission accounting, which provides for a sinking fund. I think that that transition is on the point of being made, that we are very close to the adoption of that practice. I cannot say definitely because I am only acting minister now.

[Mr. Ilsley.]

Mr. NICHOLSON: Is the cost of the Montreal terminal included in the item of \$16,000,000 for general additions and betterments which is mentioned in paragraph (b) of section 2?

Mr. HOWE: The sum of \$1,900,000 is included for that purpose.

Mr. NICHOLSON: Would the minister give us a break-down of that \$16,000,000?

Mr. ILSLEY: I can give that. The details are as follows:

6

X	eneral additions and betterments-	_	
	Atlantic region	\$1,605,887	
	Central region	4,716,179	
	Western region	2,509,062	
	Grand Trunk Western Railroad		
	Company	812,924	
	Central Vermont Railway, Inc	110,867	
	Hotels	83,652	
	Montreal terminals development.	1,900,000	
	Prince Edward Island car ferry		
	and terminals	160,500	
	Subsidiary companies	75,410	
	General, including additions and		
	betterments to equipment	4.235.519	

petterments to equipment..... 4,235,519

Mr. DONNELLY: Is there any hope of having the Canadian Pacific Railway and the Canadian National Railways adopt the same system of accounting, so that we may be able to compare the statements of the two roads?

Mr. HOWE: A committee was formed, I believe in 1937, to bring that about. The committee worked for two years, and at the end of the period submitted a report which was unsatisfactory to both railways. The Canadian National felt that, having worked toward the objective of adopting interstate commerce commission accounting, they did not wish to take a retrograde step. The Canadian Pacific was not prepared to come all the way toward interstate commerce commission accounting practice. The result was a disagreement to the extent that the department dropped the project. It is quite a considerable matter suddenly to change the accounting practices of a railway, and I hardly think that any progress can be expected at present.

Mr. HARRIS (Danforth): One-half of the amount asked for in this bill is in the class of betterments, additions to equipment, and charges of the kind, and to my mind if these were analysed by those who are familiar with interstate commerce commission accounting practice, it would be found that half the requirements covered in this bill might be written off against earnings. I merely mention this so that those charged with the responsibility of spending this money will give some thought to retiring what they can of these charges in order that the capitalization of the railway shall not become more and more top-heavy.

C.N.R.-Guarantee of Securities

Mr. HOWE: The railway is in the hands of its auditors as to whether an item can be charged to betterments or whether it can be written off as maintenance. I should point out that if it is charged to betterments it must be voted in this house under the terms of the Canadian National-Canadian Pacific Act. I assume that the railway will have greater earnings this year than are represented by the capital budget; nevertheless we must have the budget too. You might say the railway itself is furnishing the funds to pay for the capital expenditure, but even so a vote of this house is necessary to make it possible to make this budget.

Mr. ILSLEY: The hon. member for Rosedale (Mr. Jackman) asked me to give him the page of the appendix to the budget at which can be found the account of the disposition of the 1941 surplus. The page is 3628 of the appendix to the budget speech.

Section agreed to.

Sections 3, 4 and 5 agreed to.

On section 6—Power to aid other companies.

Mr. HARRIS (Danforth): In the case of other companies which are operating with deficits, and our organization known as the Canadian National are part owners of other companies, the practice in days gone by has been that deficits of partly owned railways have been paid by this government, or paid by the Canadian National. This matter was reviewed by the committee, and I just make this observation. It might be far better to let some of these outside companies go through bankruptcy proceedings and then buy them in on behalf of the Canadian National Railways, than to pay their deficits from year to year and keep them alive, or keep the share values of the shareholders who own a portion of the shares in good standing, with a charge, no doubt, of the deficit against their particular shares; but then, with the recovery of business and expanding revenues, these shares which have depreciated to a very little value to-day come back to real value to-morrow. The policy should be to clean these up, letting them go through the bankruptcy courts, buy them in if they must have them, or do not operate them at all, rather than get caught paying deficits for private shareholders.

Section agreed to.

Sections 7 to 10 inclusive agreed to.

Title agreed to.

Bill reported, read the third time and passed.

PRECIOUS METALS MARKING ACT

USE OF WORD "GOLD" OR ANY CARAT MARK ON WATCH CASES

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved the second reading of Bill No. 121, to amend the Precious Metals Marking Act.

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

On section 1-Gold.

Mr. DOUGLAS (Weyburn): This is merely to put the paragraph back in the act?

Mr. MacKINNON (Edmonton West): That is all. It was inadvertently left out.

Section agreed to.

Bill reported, read the third time and passed.

SUPPLY

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

POST OFFICE DEPARTMENT

247. Air and land mail services, \$12,957,363.

Mr. NICHOLSON: I wish to say a few words in support of the opinions expressed by the hon. member for Saskatoon City (Mr. Bence) when he complained about the practice of post office affairs being administered on a partisan basis in war time. I look forward to the day when the party to which I belong will be administering the affairs of Canada.

Mr. MacNICOL: In another two thousand years.

Mr. NICHOLSON: When that time comes I hope the Post Office Department and all other departments of government will be administered by civil servants who are capable of managing the affairs of the various branches of the public service. If they cannot, I fancy others will be found who will be qualified to do so. My experience with the department here leads me to believe that the Postmaster General has a great many capable civil servants under him. It is unfortunate that a policy should be laid down by the government that obliges efficient members of the department to write to defeated party candidates in the country asking them, "Will it meet with your approval if we make certain changes?" And to members of parliament saying, "Such and such changes are proposed; do you think they are advisable?'

I have here sessional paper 348 brought down on July 3. Among these documents I find a letter dated October 15, 1941, to the member for Humboldt (Mr. Fleming), who, both in this house and outside, is a busy man. This letter was written by the chief superintendent of air and land mail services. It states:

I should be glad of your advice as to whether it would be in the public interest to allow this service to remain with the present contractor, whose name is given, or whether you consider it would be in the interest of the department to invite tenders for a new contract.

The name of the contractor is D. Thera. The contractor receives the magnificent sum of \$324 a year to carry mail along a route about twenty-two miles twice a week. Think of asking a member of parliament if it would be in the public interest to allow this man to continue carrying mail! Unfortunately the member for Humboldt did not think it was in the public interest, but that tenders should be called for. I have here the file showing that tenders were called for, and there is one remarkable statement, apparently indicating government policy, in connection with a returned soldier. The letter is dated December 29. I quote:

In reply, I wish to inform you that there is no preferential treatment in favour of returned soldiers in the matter of awarding mail contracts. All contracts must be awarded, according to the stipulations of the post office act, to the lowest competent tenderer who can furnish two reliable sureties.

Mr. FLEMING: Will the hon. member be good enough to point out that I stated that a preference should be given to returned soldiers?

Mr. NICHOLSON: The member for Humboldt did express the opinion that the preference should go to returned soldiers, but the department says that no preferential treatment is to be given. Next I find on April 14 that the lowest tenderer was a man who had carried mail all these years, and according to a letter he submitted to the department he had never been late in calling for the mail or in getting back. There is not a single complaint with reference to him in all these years, travelling in all kinds of weather over all sorts of roads. His was the lowest tender, \$324, and the department writes to the member for Humboldt:

As the tenders submitted by the following are considered equal, would you please be good enough to say which of these tenderers you consider as most competent for the performance of a satisfactory service:

4986

[Mr. J. H. Harris.]

Should you recommend Mr. Freestone or Mr. Fouhse, it will be necessary for him to reduce his tender by \$1 in order that it be absolutely equal to that of Mr. Thera.

I submit that this makes a farce of calling for tenders. Here is a man who has been giving faithful service all these years and he submits the lowest tender.

Mr. FLEMING: Does the hon. member know that he was giving faithful service?

Mr. NICHOLSON: In the correspondence there is no evidence to the contrary. I take the record of the Post Office Department rather than what the hon. member says.

Mr. FLEMING: The member for Humboldt might be much better informed than the post office.

Mr. NICHOLSON: I know the member for Humboldt is a capable physician, but running a post office is certainly not his business, and if the post office staff in Ottawa and elsewhere say they cannot run the business I think we should find others who can.

Mr. FLEMING: That is very far-fetched, comparing a physician to a man on a rural mail route. The physician in the performance of his duties, I may say to the hon. member, goes from place to place and gets information.

Mr. NICHOLSON: If there were complaints regarding the way in which this man had carried on his work, those complaints should have been submitted to the department rather than to the member for Humboldt, and if the hon. member himself had complaints he should have laid them before the department. It is not now the time for him to say that there were complaints with regard to the conduct of the carrier. On April 28 the hon. member for Humboldt wrote a letter in which he said:

In connection with the above mentioned rural route, I would like to recommend that the contract for same be given to Mr. Walter J. Fouhse, Spalding, Sask.

My information is that this man is of military age and has been given the position in spite of the fact that his predecessor had been carrying on the work for several years. I have a similar case from my own constituency, and the Post Office Department acted, I think, wisely in this connection. It was one of the first grievances I had after coming to this house. The defeated government candidate in my constituency apparently felt obliged to reward someone who had hauled out a few voters for him at election time, or had done some other work for him, and the man who had carried the mail for seven years, over some of the worst roads in all sorts of weather, Supply-Post Office

eleven miles out and eleven miles back, at \$2 a trip, lost his job in order that a party favourite, a young man of military age, should be rewarded. The Post Office Department very wisely took into consideration the reprecentations that came from the legion in that area.

The point which the hon. member for Saskatoon City made, and in which I concur, is that people who are being asked to buy war savings certificates and victory bonds are not familiar with the tremendous programme which the Minister of Munitions and Supply is carrying on. Nor are they familiar with the achievements of the navy and the record of the air force. They naturally look at Canada's problems through their own glasses, and they see what work the government is doing in a particular community. If men and women who have been giving faithful service are to be kicked out so as to reward someone who has been a valuable party worker, it destroys confidence in the democratic system. If there are civil servants who are not doing their work or are not capable, then by all means they should be dispensed with. But there are rural mail carriers and postmasters who are giving efficient service and they should be retained. Do not dispense with them in order to reward others who have done valuable party work.

I submit that cases such as the one I have mentioned at Spalding where the mail carrier who submitted one of the lowest tenders is compelled to accept a loss on equipment which he has bought, only to see someone else rewarded for political services, are most unfortunate. I would ask the Postmaster General to make a statement now that this unfortunate policy of administering post office affairs on the basis of how a man votes rather than how he does the work be changed immediately.

Mr. FLEMING: In this matter there was no political connection whatever, and I think that is well known to the hon. member. He should not bring these things up without properly investigating them. I live in the area in question and know personally the whole situation. If he would go a little further afield, he will see that it is only within a matter of weeks that I recommended one of his political supporters as a mail carrier.

Mr. HANSON (York-Sunbury): I do not intend to get into this discussion. The system is wrong and should be corrected. I think hon. members would prefer to be free from this burden of recommending mail carriers. The men do not get enough out of the service to pay them for what they are doing. They are not civil servants. They are contractors. I have felt for some time that the system is wrong.

I do not know whether the minister stated the policy of the government with respect to aiding air mail services throughout the country. I come from a part of the country which is not at present served by air mail, which just misses it by a few miles, being on the track of the beam between Montreal and Moneton, which used to be the eastern terminus of Trans-Canada. There has been a substantial agitation in my city for some connection by air service with Trans-Canada, and consequently air mail. I realize some of the difficulties; we have not at present a good airport. But there was started in the maritime provinces a concern known as Maritime Central Airways which was prepared to give subsidiary service connecting with Trans-Canada at Moncton. I have never sought to have Trans-Canada stop at my city. At Saint John the difficulty is a physical one, that of getting runways of sufficient length. But that difficulty does not obtain at Fredericton. Maritime Central Airways are prepared to establish a subsidiary service connecting Fredericton, Saint John and Moncton with Trans-Canada. I think it is apparent to those who have studied the position that without a mail subvention such a project could not pay its way.

I am not asking the minister for a definite pledge with respect to the situation to which I have referred. But would he say in a general way what the policy of the department is with regard to assisting the setting up of these services. There is no doubt that air mail has come to stay. It is a modern development. We feel a certain amount of pride in our community as being the capital of New Brunswick, although we are not very large, and we think we should have some air connection. This is the only possible way. Would the minister just tell us what the policy is?

Mr. MULOCK: In regard to the extension of air mail facilities to Fredericton, the capital of New Brunswick, I have gone into this matter with the officials of the department. I have felt that it is the only fair thing to do. Fredericton is the only provincial capital in Canada which is not served by air mail. The cost would appear to be in the neighbourhood of \$14,000 a year.

Mr. HANSON (York-Sunbury): That is not much.

Mr. MULOCK: No; there would be considerable revenue. So far as the Post Office [Mr. R. B. Hanson.] Department is concerned we are quite willing to put it into effect, and have so advised officials of the transport department.

The next question to be dealt with is whether the airfield at Fredericton can be used. I understand that at present there is only one runway, which runs east and west. The transport department are unwilling to allow planes to land there on the regular schedule until the field is improved. I have taken the matter up with the Acting Minister of Transport (Mr. Howe) and I suggest it might be advisable for the leader of the opposition to discuss the matter with him.

Mr. HANSON (York-Sunbury): I shall be glad to do so. If there is definite assurance that a mail subvention will be given, I am .sure the airport will be improved.

There is one aspect of the situation down there of which perhaps the transport department is not aware. Fredericton is situated in the Saint John river valley. The terrain is a wide river, a plain on each side and rising ground beyond. The prevailing winds are east and west. Some years ago I remember being amused by the statement of a witness in some litigation I was conducting who swore that the wind blew only two ways at Fredericton, either up river or down. He was not literally correct, but that is nearly true, because of the character of the valley. So that the one runway does not present an insuperable difficulty. If the only difficulty is in connection with the airfield I think it can be overcome. I am obliged to the minister for his assurance.

Mr. ROSS (St. Paul's): Has there been any revision of the air mail contract with Trans-Canada Air Lines?

Mr. MULOCK: The present rate is 45.74.

Mr. HANSON (York-Sunbury): It has been reduced gradually?

Mr. MULOCK: There is a slight variation.

Mr. MacINNIS: There is a matter I wish to bring to the attention of the Postmaster General. It arises out of a complaint from persons who have relatives in the merchant marine, having to do with the refusal of the post office to accept letters for the merchant navy under the new regulations for air letters to the armed forces. In this case the Postmaster General replied to the person concerned pointing out that it was not possible to allow this service for the merchant navy on account of the difficulty of being sure that it would not be used by ordinary civilians. With the exercise of a little care there would be no danger of this service being used by civilians, because all letters to persons in the merchant navy are addressed to the general post office, London, England, and the general post office in London forwards them on advice from the admiralty as to where they should be sent. Under these circumstances I see no reason why this service should not be extended to the merchant marine. There is no more dangerous service than this, and these people believe that they should be put on the same basis as persons in the armed forces.

Mr. MULOCK: This matter was brought to the attention of the committee last evening by the hon. member for Essex East, who dealt with it in a comprehensive way. We will see what can be done to extend the benefits of this ten-cent letter, which I understand to be the one to which he is referring. The airgraph letter at six cents already is available to the lady to whom the hon. member referred.

There are difficulties in the way. These letters are forwarded not to the British post office in England but to the army base post office, and they are all for the armed forces. As the hon, member knows, the base post office is an army organization, composed of experienced men formerly in the postal service of Canada. They deliver that mail to the army and air force. It will be realized that you cannot begin to siphon civilian mail into the army post office, but the matter is being considered and if it is possible extend privileges to the merchant marine the hon. member may rest assured that we shall do so. We are very sympathetic; we realize the wonderful work these people are doing and the importance of helping to maintain their morale by enabling them to correspond with their relatives and their relatives to correspond with them at the lowest possible cost. I cannot say what can be done; as a matter of fact it is under consideration at the present time.

Mr. GREEN: I should like to ask the Postmaster General a question in connection with this highly coloured advertising of air mail which has been distributed across Canada. I have had these advertisements sent to me on different occasions by constituents who protest against such waste of money in war time.

Mr. MULOCK: I was looking to see if I did not have a statement on that point, because it has been given a great deal of consideration. There seems to be some misunderstanding; some people appear to think that these advertisements are sent out indiscriminately, all across the country. As a matter of fact they are sent to a selected list of about 22,000 people. There have been objections to the Post Office Department doing

Supply-Post Office

any advertising. So far as that is concerned, there have been objections to the government operating the Trans-Canada Air Lines; but if we are going to be loaded down with these deficits in connection with the air line I think it only good business for the Post Office Department to do its best to get revenue from air mail so that instead of losing money we may make money. Several years ago we were losing large sums of money, I believe amounting to \$1,800,000 in one year. Recently there has been a wonderful improvement, and we are nearing the stage when it is going to be a very profitable thing for the people of Canada.

Mr. HANSON (York-Sunbury): If it were not for the war services, and the amounts the government collect from the war departments, would the minister be able to paint such a rosy picture? My experience and my information is that 75 per cent of the passengers carried on the air line can be charged to war expenditures.

Mr. MULOCK: Well, we do not look after the passenger end of it, which is run by Trans-Canada Air Lines, but if their passenger business drops it becomes all the more important that we should have more air mail.

Mr. HANSON (York-Sunbury): That is a good argument.

Mr. MULOCK: We cannot get more business unless we let the people of this country know what the government is doing and tell them the benefit they may derive from the use of air mail. We are getting more business all the time, not just from government departments but right across Canada. As the leader of the opposition said, air mail is here to stay; and I should not be surprised if we live to see the day when all first-class mail for long distances is carried by air rather than by rail, at about the present rate for surface transport. We are running now about 300,000 air mail letters a day on Trans-Canada Air Lines, and I do not think it would be good policy not to advertise. The appropriation is small in comparison to the volume of business.

Mr. GREEN: How much is it?

Mr. MULOCK: Only \$15,000, and the total appropriation for advertising this year is only \$30,000 for the whole department, on a business which will run between \$55,000,000 and \$60,000,000. Does any private enterprise trying to merchandise anything operate on such a relatively small advertising appropriation? We are getting results. We have a 50 per cent increase in air mail over last year.

Mr. GREEN: You did not get that because of your advertising.

Mr. MULOCK: That is all very well. I can quite understand that there are certain people who may not want to see the volume of air mail increase.

Mr. GREEN: There is no question of that, nor did I suggest anything of the kind.

Mr. MULOCK: Well, I am suggesting it. But if this is going to be run as a business we must be allowed to advertise, to let the people of the country know what we are doing. I believe it is one of the greatest things that ever happened, that this service should be owned and controlled by the government for the people of Canada. I believe we have to protect it, to see that it is not encroached upon, that the outlets from this country are protected for the benefit of the Canadian people.

Mr. GREEN: The minister has based his whole defence of this expenditure on the premise that the advertising brings in the air mail business, but I suggest that this premise is entirely wrong. I should like him to tell the committee what proof he has that the advertising has helped in the slightest degree. He has stated that this highly coloured and expensive advertising is sent out to only 22,000 people—

Mr. MULOCK: On a point of order, Mr. Chairman, I did not say it was highly coloured and expensive; the hon. member said that. These notices are highly coloured, but they are not expensive.

Mr. GREEN: These notices are sent to only 22,000 people in Canada, presumably to business firms. Surely those business firms know all about air mail anyway. There is nothing in the circulars I have seen that gives any information about air mail that is not generally available. Really they give no information at all, just a sort of pep talk, with the words "Use Air Mail" or something like that, with a picture of an angel, wings and so on. I have had these protests from business people. Men have come to me and said, "Here we are being taxed almost out of business by this government, yet it is able to spend money in war time on advertising of this kind." Surely the minister should be open to suggestions as to ways in which he might cut down expenditures, and I suggest that this is one way. So far as anybody attacking air mail is concerned, I should be the last member of the house to do that, because I was one of the first to advocate the establishment of Trans-Canada Air Lines and the use of air mail, and I have followed that up year after year. But I suggest that here is one place where a saving could be made.

Mr. MULOCK: Just on that point, it is a question as to what form advertising should take. This matter was considered by the department, and I may say that we intend to follow a somewhat different policy. We are going to use certain of the papers across this country to get to the general public. We have got a large part of the business firms to the point where they are now using it. The general import of the remarks of the hon. member for Vancouver South was that we should not continue advertising. Let us consider some of the utilities companies, the Bell Telephone company in particular. People must use the telephone, but certainly the Bell Telephone company advertises. The same applies to the telegraph companies. The Canadian National Telegraph and Canadian Pacific Telegraph both advertise.

Mr. HANSON (York-Sunbury): There is a competitive element between the two.

Mr. MULOCK: Yes. I would not say there is a competitive element between air mail and other forms of communication—but there might be, and officials of the department think there is. However, so far as these cards are concerned, they are being used up and, now that we have got the business firms we are going into the other forms of advertising.

Mr. GREEN: If complaints are being made, they are creating bad feeling.

Mr. MULOCK: I might tell my hon. friend that if people do not pay attention to advertising you will never have any complaints. There is no use sending out plain, stereotyped advertising. I leave that to the judgment of hon. members. An hon. member receives that kind of advertising in the mail, and what does he do with it? If it is just an ordinary letter advertising something he takes one look at it, tears it up and throws it into the waste basket. If we do not have some complaint, then we must decide that the people are not noticing our advertising, and that it is not coming to their attention.

Let me tell my hon. friend I should be glad to show him large numbers of letters of a very different type where people in the first instance complained, but after the situation was explained to them said that we are doing the right thing. Not only that, but we have received a great many more letters of approval than of protest. There have been a comparatively small number in opposition to the procedure.

4990

[Mr. Green.]

Mr. FAIR: At eleven o'clock last night the question of rural mail routes was being discussed, and I noticed that one city resident who claimed to be a farmer protested against the money being spent. I wish to take the opposite view, as one who lives on a farm and truly represents the farmer's point of view. I believe we have not nearly enough of these mail routes, and I would like to see many more put into operation at the opportune time. I feel that the farmers are being treated badly enough at the present time, and have been for a number of years past. In fact they have been producing at prices far below the cost of production. There is no reason why a man in the city should have mail delivery right to his door, and even placed inside his house, when a farmer has to travel in some cases ten or twelve miles to get his mail only twice a week, and sometimes not that often. I protest vigorously against any representations of the kind made last night. It is up to those of us who represent farmers in this house to raise our voices in protest against any such observations as those made by the hon. member for Moose Jaw last night.

Mr. HANSON (York-Sunbury): I wish to join with the hon. member (Mr. Fair) against any attempt at cutting down or doing away with rural mail service. From the very beginning of my political career I have advocated the extension of those services, whereever possible. In the first election in which I ever ran the only pledge I made to my people was that so far as I was able I would work to see a rural mail box at the gate of every farm in Canada. I am not complaining about the point of view of the hon. member who spoke last night, although I was surprised to see it in the press this morning. I believe, however, I would have the united support of 90 per cent of the members of the house, especially those who represent rural communities, if I were to say that the rural mail service is the one government service that the rural population of Canada value more than any other. I disagree entirely with any curtailment of that service, and I was glad to note that the minister holds a similar view. My only regret is that in this time of war it is not possible to extend those services further. I suggest that the department return to a policy of extension at the earliest possible day.

Item agreed to.

249. To provide for the payment of compassionate allowances to employees injured while in the performance of their duties, or to other persons injured while performing duties in any Supply-Fisheries

way connected with the postal service, or in protecting His Majesty's mails, or to the dependents of such employees or other persons who may be killed while so engaged; payments to be made only on the specific authority of the governor in council, \$5,000.

Mr. ROSS (St. Paul's): Is there not some other arrangement made for taking care of employees' families and dependents, outside of this \$5,000?

Mr. MULOCK: The hon. member realizes of course that in general cases the superannuation applies. This is an item carried each year to provide for unforeseen circumstances.

Item agreed to.

DEPARTMENT OF FISHERIES

71. Departmental administration, \$132,340.

Mr. NEILL: I do not think that at this unhallowed stage of the session either the committee or the country would gratefully receive any prolonged debate on the estimates. could cheerfully join with anyone who wished to blame the government for putting us in the position of sitting here these long days, from early morning until late at nightand with the possibility of sitting even later still-for a period longer than we have ever done before, so far as my memory goes. It is unreasonable and improper to expect us to give service to the country and to do our duty properly if we have to sit here in this chamber so long every day, take care of our correspondence and attend to matters in the various departments upon which we have to call. Nevertheless in the present instance the government has what might be called a justification in the fact of the conditions produced by the war.

We have before us the estimates for the Department of Fisheries. I do not think any good purpose could be served by prolonged consideration of these items. I could bring up and debate at considerable length local grievances in British Columbia, and particularly in the constituency I represent, with regard to fisheries matters. I could call attention particularly to the failure of the department to put a fish ladder on the Puntledge river. They will not replace the ladder that was washed out. The reasons given by some of the officials are so untenable as to be absolutely ridiculous. Here again however they have the strong argument just now that with war conditions as they are, and the matter having been delayed for so long it will not hurt us much to delay it another year, because the run has been done away with and we will have to begin again at the beginning.

Supply—Fisheries

I have compared these estimates with those of other years, and in doing so have gone back two or more years. In general, compared with earlier estimates they appear reasonable-in fact I might say favourable. In some of the items connected with the spending of moneys on fisheries guardians to protect the fish, the amounts have been increased in some instances as much as \$5,000. Then, in respect of items of lesser importance, particularly those of a clerical nature, there have been reductions of as much as \$2,000 or \$3,000. In other words they are just about the same as they have been in years gone by. They are certainly not worse, and they are, in some instances, better.

Mr. CHURCH: There is no quorum, Mr. Chairman.

The CHAIRMAN: A point of order has been raised.

Mr. NEILL: I suggest that we might let these items go through without very much debate.

Mr. HANSON (York-Sunbury): Might we call it one o'clock?

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. MacNICOL: Mr. Chairman, I have a question to ask of the minister, not as a member representing a fishing territory, for I am not that; but when I was in the Northwest Territories last summer the fish producers there asked me to ask this question, and as the Northwest Territories have no representative in the house, perhaps for a moment I might represent them.

The fisheries people in the Northwest Territories told me that Great Bear lake, lake Athabaska and many other lakes roundabout produce an excellent quality of fish, and in good quantities. They asked why their fish are discriminated against in the matter of express rates as compared with the fish of the Pacific ocean. They tell me that the distance from Prince Rupert to Edmonton is 955 miles, and from Waterways, the shipping point in the Northwest Territories, to Edmonton the distance is 305 miles, or a distance in favour of Waterways of 650 miles. The fish in each case go on to Chicago or points east. The express rate per hundred pounds on a carload lot of fish from Prince Rupert via Edmonton to Chicago is \$3.95, and from Waterways via Edmonton to Chicago, \$4.70, in spite of the fact that the distance from Prince Rupert is 650 miles [Mr. Neill.]

longer. The much shorter distance pays an express rate that is 75 cents per 100 pounds higher. They requested me to ask the minister whether relief could not be given to them by making their express rate at least the same as the rate from Prince Rupert.

Mr. MICHAUD: That seems to be a matter of transportation rates, which are fixed by the board of transport commissioners. The reason for the differential would seem to be water competition; that is, the difference between the rate by water from Prince Rupert to Seattle or some other port in the United States and the rail rate from Waterways. I suspect that the carriers by water try to make the rate attractive enough to take the business away from the railway competitors. That is a matter that would not come under the jurisdiction of the department, but I thank the hon. member for calling attention to this differential and we shall take it up with the proper authorities, who in this case are the board of transport commissioners.

Mr. MacNICOL: There is one more question I have to ask in reference to the Northwest Territories. There are three great lakes in that region: Great Bear lake, where the fish are wonderful; lake Athabaska, where the fish are said to be 100 per cent, and Great Slave lake. I was informed that spawn had been put into Great Slave lake and that the fish there were not as good as they should be, that they got worms under the skin through the spawn that had been put into the lake. I said that I would bring this matter to the minister's attention.

Mr. MICHAUD: The matter has been brought to our attention, not a specific complaint against the fish coming out of these lakes—

Mr. MacNICOL: There was just one lake, Great Slave lake, where the fish were not of as good quality.

Mr. MICHAUD: Yes, but fish coming out of that territory are exported largely to the United States market, and several cases of infestation by worms were brought to our attention by the health department at Washington. We took the matter up with the provinces interested. Our attention was drawn specifically to the infestation of fish coming out of waters within the territories.

Mr. MacNICOL: I referred to Great Slave lake alone in that regard.

Mr. MICHAUD: The matter has been taken up with the organized jurisdictions in the west. Conferences have been held with a view to eliminating this infestation of which

4992

Supply-Fisheries

United States consumers complain, and I think we are on the way to removing it. As to fish coming out of the Great Slave lake in the Northwest Territories, we shall take that up immediately with the authorities with a view to having the trouble corrected. We have already taken the matter up with the provinces.

Mr. SENN: There is a large industry on the great lakes engaged in catching and shipping fresh water fish. I do not like to make any comparison between fresh water and salt water fish, but some kinds of fresh water fish are a great delicacy. Unfortunately there seems to be little market in Ontario, particularly, for these fresh water fish, the great bulk of which are shipped to the United States. Has any educational or advertising programme been carried on by the federal department to create a market for these fish in our own country?

Mr. MICHAUD: It is difficult to control that, because the products of the fisheries, like the products of other industries, are attracted to the most profitable markets, and the fishermen of Ontario and of other fresh water districts find no difficulty whatever in selling their product on the United States market, where there is a great demand for them. That market has the advantages of shortness of haul, proximity to the source of supply; and fish of course has to be marketed as quickly as possible. The producers of fish from the great lakes already have a good market, and they find it more profitable to sell to the United States buyer who offers a better price because there is a much larger market in that country. Surely we are not going to penalize the poor fishermen of Ontario by compelling them to compete in a restricted market, which the Canadian market is, our population being much smaller in numbers. The product of the fisheries of the great lakes finds a better and more ready market in the centre of attraction, which is the middle west market in the United States.

Mr. SENN: I was not going to suggest to the minister that he should penalize the Canadian fisherman by confining his product to Canadian markets, but I would point out that fish going to the United States from Canada has to pass over a considerable tariff wall. I was only suggesting that something be done to educate the people in our large centres of population who are consuming things of this kind as to the value and the quality of the fish which are caught in these great lakes. There is quite a large fishing industry in my own riding, and the fishermen complain that they are unable to sell their fish in the Canadian market in the volume which they think they could sell it if some educational programme were carried on to acquaint the people in the urban centres as to the value and quality of the fish. I know that the provincial government has something to do with the fishing industry in Ontario, but I suggest that the minister look into methods of advertising on behalf of the local fishermen. After all, like other primary producers, they are hardly in a position to carry on that education themselves, because for the most part their incomes are not large.

Mr. MICHAUD: Under another item provision is made for expenditure for educational purposes. Up to this year we have had women demonstrating in large centres of population the advantages of fish consumption. Although fisheries in the central provinces are under provincial jurisdiction we make no discrimination on that ground, and I believe that that is where our demonstrators spend most of their time. I know that in Ontario, in the Niagara peninsula and in the Windsor peninsula, where there are large bodies of the consuming public, our demonstrators have spent a good part of their time.

Mr. SENN: May I ask if they use fresh water fish as well as the others?

Mr. MICHAUD: They do not advertise any special kind of fish. They advocate the use of fish generally, and are very careful not to favour any particular kind. The general policy has been to educate people to a greater consumption of fish. If there are any centres of population to which my hon. friend would like the department's demonstrators to go, we shall be pleased to send them as soon as we have them available.

Mr. SENN: I thank the minister for that.

Mr. HAZEN: I would call the attention of the Minister of Fisheries, who I believe is also acting Minister of Public Works, to the condition of the wharf at Chance Harbour, in the county of Saint John, province of New Brunswick. Chance Harbour is a fishing village which fronts on the bay of Fundy, and if I may say so, a very pleasant village. I suggest that when the minister has opportunity he should visit it and look the place over for himself. This wharf, which also serves as a breakwater and serves a very useful purpose in the community, is in a very bad state of repair.

Mr. HANSON (York-Sunbury): Very dilapidated.

Mr. HAZEN: I do not know what is the policy of the minister's department and of

Supply-Fisheries

the Department of Public Works, but it seems to me that the repairs should be made at once before the wharf is allowed to go further into disrepair. It would mean a great saving of expense if the repairs were made now. They are necessary, and I ask the minister if he will look into the situation.

Mr. MICHAUD: I can assure the hon. member that I shall do so at the first opportunity this summer.

Mr. FRASER (Peterborough West): Is the minister's department doing anything as regards the various oils, from the point of view of vitamins?

Mr. MICHAUD: No; the oil administrator is under the Department of Finance.

Mr. FRASER (Peterborough West): What I mean is, regarding vitamins A and B, or what are extracted from cod liver and halibut liver.

Mr. MICHAUD: Yes, that comes under the fisheries research board, who at the present time are conducting a survey at all our stations on the Pacific and the Atlantic as to the relative values of the oils that can be derived from different varieties of the fish in our waters. All our scientific stations are carrying on that work just now.

Mr. HANSON (York-Sunbury): I do not want the minister or the government to understand that because, at this late stage of the session, we do not discuss these estimates with detail or particularity, that is to be considered as setting a precedent. I deplore more than I can say the policy of the government in holding non-war estimates to the eleventh hour of a tremendously long session. I protest against it. I invite the government at the next session of parliament not only to table the estimates as soon as it is possible to do so but to invite consideration of them from time to time in the earlier stages of the session. I know we are all absorbed in war and the war activities and the war expenditures, which are tremendous and which are entitled to our consideration. But the ordinary estimates are vital to the people of the country and to the representatives of the people, and that ample opportunity should be offered for their consideration. I serve warning now that so far as we are concerned we shall demand that the methods which have obtained during this and the past two sessions shall be changed and that these estimates shall be brought down in due course.

I will take this occasion to point out to the house and to the country that instead of ordinary expenditures having been cut down they have actually largely increased. I made

[Mr. Hazen.]

some observations on this point in the presence of the Minister of Finance a few weeks ago. I pointed to the misapprehension which had prevailed as a result of a press release given when the estimates were tabled, and which was later, I am glad to say, corrected by the press, as to the alleged decrease in non-war estimates. We have heard to-day of supplementary estimates totalling nearly \$29,000,000, as will be seen from the summary on page 7, of which nearly \$4,000,000 are chargeable to ordinary account, \$250,000 chargeable to capital account, and about \$24,000,000 chargeable to special account. Well, it all comes out of one pot, the taxpayers of this country. I protest against the government not putting the pruning knife to ordinary expenditures in time of war. We are being taxed to the limit. There must be more cutting. I know the answer will be immediately that the controllable expenditure is relatively small. There is a measure of truth in that, but it is the controllable expenditure to which I desire to direct attention. I now serve notice on the government that we shall maintain our position with respect to the time of considering these estimates and with respect to the quantum of the estimates, and we shall continue to press for reductions.

Here we have \$23,000,000 for prairie farm wheat reduction, and that is the government's policy. Of that \$23,000,000 special expenditure nearly \$1,000,000 is in administration. Just reckon up hastily what the percentage is-nearly 5 per cent. I suggest that \$1,000,000 ought to be cut by the Minister of Agriculture. I am sorry he is not here so that I can call his attention to it. That is the sort of thing that gets the taxpayer down, the sort of thing that members of this house ought to examine into and comment upon, the sort of thing on which members supporting the government ought to back me up in the attempt I am making, and I invite them to do so. They represent the taxpayers as much as I do. They are as much the guardians of the taxpayers as I am; yet how few do I ever hear suggesting that the whole situation should be reviewed.

I know someone will immediately turn around and say: You want money spent here, there and everywhere. I have been very careful about what I have asked for, and we all ought to be. We in the maritime provinces have a grievance about the amounts of money that are devoted by this government to agriculture in the west as compared with what is expended on agriculture in the east, particularly in the maritimes. I have taken, and I will continue to take, as national a view as I can of the problems of agriculture. Aid has been given to western agriculture freely and with the utmost good-will by every part of Canada, on this theory, that providence has rendered their position in days gone by extremely difficult and that a country which in a given year was capable of producing and did produce one billion dollars' worth of new wealth for Canada was a country that was worth saving and helping. Eastern Canada has approached the consideration of grants to the west on that basis, but I suggest that the time has come when the whole policy should be reviewed.

The other night the member for Cumberland (Mr. Black) brought up the question with regard to the reclamation of marsh lands lying between New Brunswick and Nova Scotia as alongside, not in contrast with, but alongside the expenditures being made in connection with conservation measures in the western provinces under the Prairie Farm Rehabilitation Act. The position was explained by the Minister of Agriculture, who said he was in accord with the suggestions that had been made in that regard and had endeavoured to get a million dollars to help to rebuild the dykes on the bay of Fundy; but he said that the matter had been turned down by the treasury board, which means in substance the Minister of Finance. The Minister of Finance takes the view, as I understand, that the problem in that part of the maritime provinces is a provincial problem. It is the work of reclamation of those large fertile areas which now, owing to the fact that agriculture in that part of the country has gone down to such an extent that the farmers cannot keep up the dykes through private assessments on land owners, are being inundated by the tides and are no longer productive. I can remember, when I was a boy going to school in that area, hundreds of head of beef cattle were shipped out of that part of the country every year, fattened on the foods grown there. That is a thing of the past.

The question of aids to agriculture should be reviewed by the government in the coming year, and some consideration at least should be given to the plight of the eastern farmers. I know it is better than it was. Prices are better, but we are still suffering from price control there—not from the principle of price control, but from the fact that price control was put into effect at a time when the prices of agricultural products were on an uneven level, and the system was so inflexible that that level has never been righted. I do protest against the methodnot the principle involved, or the aim or the objective.

Next year we shall expect the minister's estimates to be brought down and discussed early so that we may give adequate attention to them. And that goes for every department of government. They should not be held back until the last week of the session. I protest against it; it is not the proper way to conduct the business of the country. After all, what is the first function of parliament? The first function of the House of Commons is the granting of supply to his majesty. True, we are at war, and that overrides everything else; but after that the first function is not political discussion but the granting of supply to his majesty. I protest therefore against the policy and attitude of the government in making it impossible to give adequate consideration to the ordinary estimates of the country.

Mr. MICHAUD: The estimates were tabled quite early in the session, and this is the first opportunity given me to have them discussed by the house.

Mr. HANSON (York-Sunbury): By whom? By the government.

Mr. MICHAUD: So far there has been little time to discuss these estimates. With regard to the suggestion for retrenchment, I agree with the leader of the opposition, and this has been put into practice by the department. It was done before he suggested it. For example, there has been a gradual reduction. The estimates last year amounted to \$2,229,480; this year they amount to \$1,892,620. Notwithstanding that, this year we have an amount of \$67,045 for the cost-of-living bonus to employees which we did not have last year.

Mr. HANSON (York-Sunbury): You had \$400,000 special last year.

Mr. MICHAUD: There is a net reduction this year of about 20 per cent compared with the expenditures of last year. Some departments may and others may not be able to reduce considerably without basically changing their organization. However, I believe there is need for retrenchment, and this has been practised as far as the officials of the department are concerned.

Mr. FRASER (Peterborough West): What difference will the new wartime prices and trade board order A-223, replacing A-94, make to the lobster fishermen? What will the controlled price be? \$16.50 per case?

Mr. MICHAUD: The only material difference is to make it applicable to smaller cans,

Supply-Fisheries

to the quarter-pound can as well as half-pound and one-pound cans. But the basic price remains the same as under the former order.

Mr. NOSEWORTHY: Is there a price ceiling on canned fish? If so, when did it go into effect? I have a number of complaints from householders that there appears to be no ceiling on the price of canned fish.

Mr. MICHAUD: I understand there is a ceiling on the wholesale price of canned fish, established by the wartime prices and trade board. There is for lobsters at least, because the order has been made recently, as pointed out by the hon, member for Peterborough West.

Mr. HANSON (York-Sunbury): I think there is one for sardines also.

Mr. NOSEWORTHY: Another complaint called to my attention is that the standardization of cans by the board has resulted in leaving that industry largely in the hands of a few manufacturers of cans, of which I understand the firm with which the fish administrator is associated is one of the largest in the country.

Mr. MICHAUD: The size of the container, if it is a metal container, is controlled by the metals controller. In its application to fish it is made to conform with the requirements of the consumer as much as possible, consistent with the quantity of tinplate available for that trade. Nobody is much concerned about the size of the cans, provided that the trade can take care of its requirements with the amount of tinplate allotted to that trade. Several grades have been eliminated with a view to conserving tinplate and tin. The larger quantity of fish that is put into tins is canned on the west coast; a comparatively small percentage of the tinned fish is produced in the east. The control applies to all. They make their own provision to get their tinplate, and once they have made provision within their industry I think they are perfectly free to use it and make it serve the best purpose they can.

Mr. GRAYDON: Has the dominion government any investment in the Gorton Pew plant at Caraquet, New Brunswick?

Mr. MICHAUD: No. A few years ago the dominion government gave to the province of New Brunswick an amount of money to help the needy fishermen. The portion of that money that should have gone to the fishermen of Gloucester county or Caraquet district was contributed by the province toward the cost of putting up that plant—

[Mr. Michaud.]

Mr. HANSON (York-Sunbury): They gave it to a United States corporation, not the fishermen.

Mr. MICHAUD: It is a New Brunswick corporation.

Mr. HANSON (York-Sunbury): But it is owned in the states.

Mr. MICHAUD: —on the invitation of the fishermen, I understand. The fishermen I believe are pleased to have that plant there, because the price to the primary fishermen, no doubt owing to the fact that there is a plant and cold storage to take care of the product, is much higher than it would be otherwise.

Mr. HANSON (York-Sunbury): I suppose the war had nothing to do with that.

Mr. MacINNIS: On the point raised by the hon. member for York South, has the standard can or tin for lobster been changed from what was in use before the war or before the metals control board and other control boards were created?

Mr. MICHAUD: No, except that the quarter pound has been eliminated for this year. Whatever was on hand from last year they were permitted to use.

Mr. MacINNIS: Is there any substance to the complaints that the standard size can has been changed and that the only company having the machinery to produce the can that has been ordered is this company in New Brunswick of which the gentleman who is inspector is a member? If the complaint cannot be substantiated, I have nothing further to say.

Mr. MICHAUD: I think that complaint is not well founded. The ruling pertaining to tinplate requires less tin to be put on the plate. It does not materially change the size.

Mr. MacINNIS: The minister says it does not materially change the size. But that is important, because a machine makes a certain size can and every can is made in the same way. If you change the size in the slightest you have to change the machine or get a new one; you cannot adjust these machines, so far as I have been able to find out, to reduce the size of the tin by a quarter of an inch or so. It is just like tool-making.

Mr. HANSON (York-Sunbury): New dies are required.

Mr. MacINNIS: Yes. When the minister says it does not materially change it, that means there is some change; and if there is some change, that justifies the complaint, unless the minister has some further explanation.

Supply-Fisheries

Mr. MICHAUD: The actual size of the can as regards fish has not been changed. The quarter size has been eliminated. The fact that less tin is used on the plate does not affect the size of the tin; it is the manufacture of the plate that controls that. It is not the fault of the people who cut out the plate and put it together. This is steel plate, covered with a white substance, and it is that substance that is being controlled, because it is the precious element entering into the manufacture of tinplate.

Mr. MacINNIS: The steel plate comes from the manufacturer already tinned?

Mr. MICHAUD: Yes, with tin on it.

Mr. MacINNIS: And generally speaking the tinplate is put in one end of the machine and the cans come out the other end?

Mr. MICHAUD: Yes.

Mr. MacINNIS: If any material change is made in the size of the tin you cannot use the machines that were formerly used; and if some person has a monopoly on those machines, and that person is connected with a company which is in an advantageous position, that is not good; it creates suspicion and discontent.

Mr. MICHAUD: I want to correct any false impression that may go abroad. I do not think it is fair to say that anyone is in a position to take advantage of a particular situation, especially in the fishing industry. The size of the can has not been changed, either on the Atlantic or on the Pacific coast. Certain sizes have been eliminated; that is, they may not be made in those sizes, but the tins that may be made are the same size as before.

Mr. FRASER (Peterborough West): How about the sockeye salmon from British Columbia? Will Canadians be allowed to have any this year, or will it all be shipped to Britain?

Mr. MICHAUD: No, I am afraid that this year it will not be possible to allow Canadian consumers any canned salmon of any variety, because the requirements for food products on the other side are such that we feel obligated to send over whatever can be sent in this compact form. For that reason, at the request of the British government and the British food mission, we are asking Canadian manufacturers to put up as much as possible of their product this year in cans for use overseas by our armies, by our allies and also by the civilian population of Britain.

Mr. FRASER (Peterborough West): Will that also apply to British Columbia sardines in the large cans?

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Mr. MICHAUD: Well, they go with the herring, and herring and sardines are both intended for British consumption.

Mr. TUSTIN: I should like to know if the fish canneries have been given 100 per cent of the cans they will require this year, or if the supply has been reduced.

Mr. MICHAUD: It depends on the requirements and how good the fishing may be. It all depends on the quantity of fish the packers have to place in the cans. If the fishing season is exceptionally good, the requirement for cans will be large; but based on our estimates, the steel controller has made an allotment of plate which we feel will meet the requirements for the present year. Of course if we have an over-abundance of fish it may be that we shall not have 100 per cent of the requirements.

Mr. TUSTIN: Then it will depend entirely upon the amount of fish procured by the fishermen this year? If there are large catches of fish the canneries will be given all the cans they require?

Mr. MICHAUD: No, that is not what I said. A certain allotment has been made, based on the average and the expected production for the year. If the production of raw material exceeds that estimate, they will have to go without the tinplate because the allotment already has been made.

Mr. TUSTIN: Is the allotment equal to that of last year?

Mr. MICHAUD: Not altogether; it is rather lower than last year.

Item agreed to.

74. Development of the deep sea fisheries and the demand for fish, \$62,760.

Some hon. MEMBERS: Carried.

Mr. GILLIS: I should like to make a few remarks on this item, though I am sorry to disappoint my hon. friends to the right. They are quite satisfied to have the house adjourn when they finish talking.

I am not particularly interested in discussing the estimates in detail. I am particularly interested in making this observation, that the fishing industry in Canada is pretty well on a par with every other industry; it is very much like the Indian's gun, it needs a new lock, stock and barrel. I do not visualize any great changes being made, however, unless there is some radical thinking on the part of those responsible for organizing this industry. So far as the 40,000 fishermen of the maritimes are concerned, they have always been the forgotten men in regard to incomes, and there is only one solution to their problems,

REVISED EDITION

COMMONS

Supply-Fisheries

a solution in which they themselves will have to play a large part. To-day the fishermen are the victims of the large processing plants, the credit organizations, the trawling companies, and so forth. There is no solution to that set-up so far as the problems of the fishermen are concerned. The government have done, are doing and I believe are going to continue to do some work along cooperative lines among the fishermen, judging by the estimates, and in my opinion that is where the solution of the problem lies. I think the Department of Fisheries would be well advised to extend that work, and continue to extend it, even while we are fighting the war. I believe the job will have to be done by the federal government in cooperation with the provincial governments. They will have to extend their activities in the field of cooperative marketing and the establishment of credit unions among the fishermen. I know that where these organizations have been established they are working successfully, taking the fishermen out of the hands of the private companies.

As a good illustration let us look at Lockeport, in connection with which I have had some correspondence with the minister. After suffering for many years, the fishermen of that district decided some three years ago to do something for themselves, and established their own processing plant. They endeavoured to obtain cold storage facilities as well, but the war broke out and the grant made by the federal government to the provinces for that purpose was discontinued, though I think it was false economy. In any case, to-day the Lockeport fishermen are in this position, that they have not been able to fish for some time because they have no bait. They cannot get bait because the two privately owned companies in that district refuse to sell them bait unless the fishermen will sell their fish to the processing plants of these companies, on their terms. In the light of the war situation, and the necessity for everyone working who can work, that is nothing more or less than sabotage. I wrote the minister a week or so ago and enclosed a long petition. I shall not read it, because the minister has a copy of it. That petition was sent in by the Lockeport fishermen with respect to the question of bait. These two privately owned companies have been retarding the industry. The minister said he would investigate and let me have the information later. I have not had any word from him.

There is no doubt that the final solution of the fishermen's problem will be in their [Mr. Gillis.]

working out their own problems to a large extent, with assistance from both federal and provincial governments. I have cited this Lockeport situation to illustrate how much interested some of the large companies are in producing fish, or anything else, when it does not draw water to their own mill. There is evidence in this instance that they withheld bait from the fishermen at Lockeport, so that they could buy the fish on their own terms. All they were concerned about was making money. I hope the minister will go into the situation. and if he cannot make Swim Brothers and the Lockeport Fish company supply bait to those people I hope he will endeavour to do something by way of providing cold storage facilities for fishermen who have their own processing plants and are endeavouring to make them work.

There are many problems confronting the deep sea fishermen with which the average man is not familiar. Probably the minister understands the situation but I do not say that I do. But I live close to many of these fishermen, and speak to them from time to time. I have learned that this summer along the Cape Breton coast there have been great numbers of dogfish. These fish practically eliminate the possibility of any earnings from the catch of codfish and, to some extent, herring. Fishermen's nets were being destroyed. The dogfish is not marketable, and there is no use in catching it. It remains in the water and destroys the fishing possibilities in that area. If the department were interested in a condition of that kind one would expect it to place a bounty on the catching of those fish. They should be taken out of the water and used as fertilizer.

Then there are certain parts of the fishermen's work which produce no returns. I have in mind particularly the regulations with respect to the sizes of lobsters. Thousands are caught but must be thrown back because they are too small.

Mr. HANSON (York-Sunbury): They should be.

Mr. GILLIS: They are. The fisherman goes through the work of taking the lobster from the trap and throwing it back into the water. If we wish to perpetuate the industry the fishermen should be compensated to some extent.

I visualize no solution of any problem confronting our people in Canada unless they are interested and will to a large extent assist in the solution of their own problems. I see fishermen's problems solved in the future on a cooperative basis and by taking them out of the hands of the loan companies which

4998

lend small sums of money against their catch, thereby placing the fishermen in debt, and obliging them to deal with one firm. The fisherman thus places himself in a position where he may be strangled when he wants bait, as has been done in the case I have mentioned. Then, the fishermen are in the hands of the trawling companies and the private fish buyers. Prices are fixed at certain rates and the fisherman is up against it economically at all times. I suggest the government must realize that there are 40,000 persons engaged in the fishing industry in the maritimes and other sections of Canada. They are entitled to some protection. They should be organized along educational lines so that the fishermen themselves would be a potent instrument in the solution of their own problems. The debating of estimates, a little for this, a little for that, a little for something else, is not going to solve the problem.

Item agreed to.

77. Oyster culture, \$25,580.

Mr. FRASER (Peterborough West): What is being done with regard to the culture of oysters in Prince Edward Island? In some of the cities in Ontario we can get only British Columbia oysters. They are too dark, and we do not like them.

Mr. MICHAUD: The difficulty is that the oysters from Prince Edward Island and from the east generally are so good that they have become scarce. There is not enough production to meet the demand. Just prior to the war the annual consumption of oysters in Canada was about 75,000 barrels. The annual production varied between 23,000 and 26,000 barrels, the remainder being imported from the United States, where oysters are produced in much greater quantities.

With regard to increasing the number of our oyster fields, I would point out that a few years ago the department approached this matter from a scientific standpoint. Fortunately some enterprising students in the university of Toronto were induced to give their attention to this matter of oyster culture, and as a result we later established a research station at Malpeque bay. Since then we have extended our policy of inducing adjoining owners to cultivate oysters. I believe we have now developed what is going to be a very profitable oyster culture industry in Prince Edward Island. It is being extended into New Brunswick and Nova Scotia. I doubt whether it would be possible to produce within a few years as many oysters as we would like, and as the market would demand;

but the quantity is rapidly increasing. We are producing a very high quality which is in great demand.

The quantity of British Columbia oysters is somewhat limited. Until the imposition of the embargo on United States oysters we received very few oysters from British Columbia in the east. However the demand is now so great that the British Columbia oyster growers have found it profitable to ship their oysters to Toronto and Montreal markets, because the eastern oyster beds cannot meet the supply.

Mr. CHURCH: Never were there so many who knew so little about so much fishing, as we have seen all this session. That was made evident also yesterday in a certain convention in Toronto.

Item agreed to.

84. To provide for the extension of educational work in cooperative producing and selling among fishermen, \$50,000.

Mr. MacINNIS: Would the minister give the committee a break-down of the expenditure last year? In what part of the dominion was the educational work carried on, and in what form?

Mr. MICHAUD: Last year as in the previous year the money was apportioned between the east and the west on the same basis. The university of British Columbia received a portion, and the portion going to the maritime provinces was allocated to the adult educational movement of the university of St. Francis Xavier. Last year the amount was reduced by 50 per cent from the previous year. The reduction in the allotment was made in the same proportion, and they were all satisfied. This year the amount is doubled, and the increase will be in the same proportions.

Mr. POIRIER (Translation): Mr. Chairman, I take the opportunity given me under this item to thank the minister for having restored to \$50,000 a vote which had been cut to \$25,000 last year, and to pay tribute to him for the excellent work he has made possible in the field of education in the Gaspé district, by enabling the Social Economic Service of St. Anne de la Pocatière to educate the people of Gaspé on the value of cooperatives and cooperation.

Before this, Mr. Chairman, the fishermen of Gaspé had been in the toils of finance companies for over two hundred years. You know how revoltingly our fishermen were exploited by such companies during that time. It finally became necessary to find a means of

44561-3153

Supply-Fisheries

freeing these people. That is why the Social Economic Service of St. Anne de la Pocatière has devoted itself during the last few years, in cooperation with the fishermen, to organizing cooperatives, fishermen's unions, in order to make these people financially independent. It is due to the present Minister of Fisheries that they have had the funds to carry on with the organization of such unions. I congratulate him for restoring to \$50,000 this item which had been reduced last year to \$25,000. I trust he will grant the Social Economic Service of St. Anne the same grant he allowed a few years back, that is, \$8,000. The service absolutely needs \$8,000 to pursue the organization work already begun. If I may be permitted to do so, I would like to submit certain figures showing how this money was spent in 1940-41, in order to justify the request made for an equal amount this year. In 1941, the Social Economic Service of St. Anne paid out for:

Library and equipment	\$ 400
Distribution of literature	500
Propagandist's salary	2,400
Travelling expenses for above	1,400
Asst. secretary's salary	800
Asst. propagandist's salary	600
Librarian's salary	120
Course in cooperation given to 70 school teachers at the end of	
August Cooperation congress, held in Gaspé	800
in October	200
Salaries and expenses of 5 pupils engaged in propaganda work dur- ing the holidays	500
Travelling expenses incurred by	500
director of service	80
Courses in cooperation given to fishermen	200
TT-+-1	00.000

Total..... \$8,000

I would request the minister to restore to \$8,000 this year the St. Anne Social Service's grant reduced last year by \$3,000. The use made of this money in 1941 and the preceding years completely justifies the minister in restoring this grant to \$8,000. The cooperative organization work undertaken had the best possible results for our fishermen. There are, I believe, thirteen active fishermen's unions which have purchased fish for the last few years. The number of these unions is steadily increasing as well as the number of cooperating fishermen. Thanks to the competition between the unions and the companies which formerly purchased all the cod, prices have risen and other advantages have accrued to the fisher folk of Gaspé. More-[Mr. Poirier.]

over the social service has organized its cooperative system on a sound basis, by convincing the fishermen of the value of cooperation before establishing cooperative unions.

I wish to pay tribute here to their propagandist, Mr. Alexandre Boudreau, who is an expert in his field and speaks both languages extremely well. He is a graduate of Antigonish and a disciple of that university's Doctor Cody. The latter's methods are now world-renowned as the best in cooperative organization. Mr. Boudreau has visited every parish in the Gaspé district, organizing study circles as a first step towards cooperative unions. That is why cooperation has been established on a firm basis in the Gaspé region, why we hope to achieve the best results within a few years.

And so, while giving credit to the Minister of Fisheries for the excellent work he has made possible throughout the Gaspé district in the past, may I insist again that he restore to \$8,000 the grant paid to the Social Economic Service of St. Anne, in order that Mr. Alexandre Boudreau, our fisheries expert, and the service itself may continue the good work they undertook a few years back under the direction and control of the Department of Fisheries at Ottawa.

I trust the minister will agree that \$8,000 is not too much to grant to the province of Quebec out of a total of \$50,000.

Item agreed to.

454. Departmental administration — further amount required, \$9,727.

Mr. MacNICOL: According to the details on page 9, the sum of \$6,503 is required for temporary assistance, \$224 for cost of living bonus, \$1,500 for travelling expenses, and \$1,500 for sundries. Would the minister explain this item?

Mr. MICHAUD: This amount of \$9,727 is required to cover the additional administrative expenses in connection with the purchase of fish for Britain. We have to purchase from twenty to twenty-five million dollars' worth of fish for Britain, and additional help was required which was not provided for in the main estimates. In order to take care of this and remain in good standing with the treasury board we have had to resort to this supplementaries.

Item agreed to.

455. To provide for Canadian share of expenses of the international Pacific salmon fisheries commission for engineering and biological surveys upon which to base recommendation for overcoming sockeye salmon obstructions at Hell's Gate canyon or other points on the Fraser river watershed; also for temporary expedients, pending permanent remedial action, to overcome such obstructions, \$22,574.

Mr. MacNICOL: What is the sockeye salmon obstruction on the Fraser river?

Mr. MICHAUD: I am told that a rock protrudes into the channel and changes the direction of the water. Apparently this rock must be removed. The government of the United States is contributing half the cost of these surveys.

Mr. MacNICOL: Half of this amount?

Mr. MICHAUD: No, a similar amount.

Mr. MacNICOL: Then the total cost will be \$45,000? This obstruction is at the falls in the Fraser river?

Mr. MICHAUD: At Hell's Gate.

Item agreed to.

DEPARTMENT OF PUBLIC WORKS

Chief architect's branch.

261. Ottawa—maintenance and operation of dominion public buildings and grounds, including rents, repairs, furniture, heating, etc., \$2,778,480.

Mr. HAZEN: Why are not the paths back of the House of Commons, which go down to the river, opened up? Why are they closed and marked "dangerous"? There are pleasant walks down there and a lot of money is being expended on them. Why are they not used?

Mr. MICHAUD: I understand that a couple of years ago a considerable part of the ground along these walks fell away. It has not been found possible to make repairs, and there would be danger if persons were allowed to frequent these lonely places.

Mr. MacNICOL: Repairs were being made last winter, were they not? I myself saw men working near the little building on the northwest corner.

Mr. HAZEN: There seemed to be some work going on this spring. I noticed they were dumping earth and men were working there.

Mr. MICHAUD: Some temporary work was done to prevent the earth from falling, but I am told it is not sufficiently advanced to allow of people frequenting the place.

Mr. HAZEN: Work is being done there?

Mr. MICHAUD: Not just now.

Mr. HAZEN: Has any work been done?

Supply-Public Works

Mr. MICHAUD: Not with a view to repairing it. The work which has been done is to prevent further slides of earth from the walk.

Item agreed to.

Chief architect's branch-generally.

275. Flags for dominion buildings, \$8,000.

Mr. MacNICOL: The instructions go out direct from the department as to what flags shall be flown on public buildings, I assume. It is the union jack only, is it not—no other flag than the union jack?

Mr. MICHAUD: All the flags which are provided are purchased by the public works department. They are distributed over Canada to caretakers of buildings with instructions to fly them.

Mr. MacNICOL: Do departmental instructions call for the flying of the flag? No flag but the union jack should fly from the flagpole of any public building.

Mr. MICHAUD: That is the fact.

Mr. FRASER (Peterborough West): How much money was expended last year for flags?

Mr. MICHAUD: I understand it was \$5,000.

Item agreed to.

Chief architect's branch-generally.

276. Public buildings generally—repairs, alterations, fittings and improvements, \$200,000.

Mr. FRASER (Peterborough West): Who has the fixing of the clocks on post offices and other public buildings? Is that the duty of the caretaker, or are men specially employed for the purpose?

Mr. MICHAUD: Yes, the Department of Public Works looks after the clocks, and some person, probably a jeweller of the town, has the responsibility of keeping them in order.

Mr. FRASER (Peterborough West): I ask that question because I went through three towns some few months ago, and every post office clock was wrong.

Item agreed to.

Chief architect's branch-generally.

277. Veterans' hospitals — repairs, improvements and alterations, \$60,000.

Mr. MacNICOL: Do the requests for repairs or alterations to the veterans' hospitals come from the pensions department?

Mr. MICHAUD: Yes.

Mr. MacNICOL: And Public Works simply carry them out at the request of the pensions department?

Mr. MICHAUD: Yes.

Item agreed to.

Chief engineer's branch.

278. Branch administration, \$190,805.

Mr. FRASER (Peterborough West): Are the engineers used now to design and help put up the buildings for the different armed services?

Mr. MICHAUD: The engineers do not design them; the architect's branch do that.

Mr. FRASER (Peterborough West): I know the architects design them, but the engineers help in laying them out?

Mr. MICHAUD: As much as they can. We are short of talent in our architect's branch. There is so much building going on for different services that we cannot do all the work.

Mr. FRASER (Peterborough West): But your department is doing that work?

Mr. MICHAUD: Yes; most of the buildings are designed and taken care of by the Department of Public Works.

Item agreed to.

Chief engineer's branch.

Maintenance and operation of graving docks, locks and dams, etc.

290. Snagboats, \$48,235.

Mr. MacNICOL: While the vote does not mention the Athabaska river, I want to ask the minister about the removal of snags, stumps or trees that fall into the river from the banks. Are snags on the Athabaska river removed by this department?

Mr. MICHAUD: I am afraid that up to the present time British Columbia has had a monopoly in that respect.

Mr. MacNICOL: British Columbia is so far away from it they would have to fly a very long distance to get to the navigable part of the Athabaska river.

Mr. MICHAUD: I do not find in the book whether we have taken care of removals on the Athabaska river, but I will investigate that and let the hon. member know what can be done.

The CHAIRMAN: Shall the item carry?

Mr. MacNICOL: No. We are helping in the very best way we can. We want these items to get through as quickly as possible.

[Mr. Michaud.]

But I feel it my duty to bring to the attention of the minister, if it is under his department, the fact that transportation facilities on the Athabaska river should be looked after better than they are. Two transportation companies, one the Northern Transportation company and the other the Hudson Bay Transportation company, are operating from Waterways north. They are doing a good job, but quite frequently, they tell me, they have the bottoms of their scows torn out while going down the river, and of course the freight is affected by the water coming in, as the result of striking these snags. While I was there last summer I told the captain of the boat on which I travelled that I would bring the matter up and see if anything can be done by this department to make transportation down the Athabaska river safer than it is. In my opinion it is one of the finest tourist routes in the world, and in due course, perhaps after the war, the development of tourist transportation on that river will bring a lot of money into this country. I would appreciate it if the minister would look into the matter.

Mr. MICHAUD: I certainly will. We have something to do with the navigation.

Mr. MacNICOL: The river is in Alberta.

Mr. MICHAUD: We will look into the problem which the hon. member has submitted.

Item agreed to.

Chief engineer's branch.

Maintenance and operation of roads and bridges.

292. Kingston, La Salle causeway, \$15,959.

Mr. TUSTIN: For the last two or three years I have asked how the item of maintenance of this causeway—\$8,850 this year and \$9,420 last year—is made up. The former minister promised on each occasion that he would give me that information, but so far I have not received it. Could the minister give it to me now?

Mr. MICHAUD: The estimates for this year? Bridgemaster, \$1,460, bridge motorman, \$1,110, and another—

Mr. TUSTIN: There is "operation, maintenance and supplies, \$8,850" this year, and \$9,420 last year.

Mr. MICHAUD: —and another bridge motorman, \$1,200. Those are the permanent employees: a total of \$4,980. Then, one temporary employee, \$874; casual labour, \$300. That makes a total of \$6,154. General maintenance and minor repairs to property and

Supply-Public Works

equipment amount to \$500, renewal of liftspan planking, \$3,790, repairs to wharf and wharf abutment walls, \$1,010, making a total of \$5,300. Material and supplies amount to \$1,250, electrical power \$2,200, cost of living bonus \$1,000, and contributions to unemployment insurance fund \$100. This makes a total of \$15,959.

Mr. TUSTIN: What are the duties of the temporary employees?

Mr. MICHAUD: I do not know anything more than that it is casual labour when required.

Item agreed to.

Chief engineer's branch.

Construction, repairs and improvements-harbours and rivers.

297. Prince Edward Island.

Souris-breakwater repairs, \$27,500.

Harbours and rivers generally-for maintenance of services, no new works to be undertaken, \$55,000.

Mr. MacNICOL: I made a particular inspection of the harbour and docks at Charlottetown. It is a very beautiful harbour, and a good-sized one too. I do not see why it is not used more than it is, but if it is to be made full use of, the docks will have to be extended further out into deeper water. Many of the docks do not extend into deep enough water, and I hope that when the engineers again look into improvements in connection with see that they are extended far enough out so that ships of large size can berth there.

Item agreed to.

Chief engineer's branch.

Construction, repairs and improvements-harbours and rivers.

298. New Brunswick—Harbours and rivers generally—for maintenance of services, no new works to be undertaken, \$80,000.

Mr. HAZEN: With regard to this item for maintenance of services, "no new works to be undertaken", how much was expended last year? Can the minister give a break-down?

Mr. MICHAUD: Last year we spent \$70,220. It is impossible to give a break-down to show how the money will be spent this year.

Mr. HAZEN: I asked for last year.

Mr. MICHAUD: We have not got that because the money is spent in very small amounts covering unforeseen works which it is impossible to anticipate.

Mr. HAZEN: Some of these amounts must be large if the total is \$70,000, because there is not such a large number of harbours and rivers under this item. If the minister cannot give me the figures now I wonder if he will do so later.

Mr. MICHAUD: There is a long list of small amounts. They can be compiled and I will send them to the hon. member.

Mr. HAZEN: Perhaps the minister will take into consideration under this item the wharf at Chance Harbour.

Mr. MICHAUD: I think we can do better than that.

Item agreed to.

Chief engineer's branch.

Construction, repairs and improvements-harbours and rivers.

299. Quebec.

Richelieu river (Chambly basin)—dredging, \$9,500.

Harbours and rivers generally-for maintenance of services, no new works to be undertaken, \$250,000.

Mr. MacNICOL: Several years ago a considerable amount was voted to erect a dam about six miles south of St. Johns. At that time it was intended to do further work on the river so as to increase the depth of water in order that ships of deeper draft might ascend the river. Has anything further been done, apart from building the dam? I believe it was called Fryer's island dam.

Mr. MICHAUD: This item of \$9,500 is to complete the work at Chambly basin.

Mr. MacNICOL: But has anything further been done towards the deepening of the channel in the river so that ships of deeper draft may ascend the recently completed dam?

Mr. MICHAUD: Nothing has been done.

Item agreed to.

Chief engineer's branch.

Construction, repairs and improvements-harbours and rivers.

300. Ontario.

Burlington channel-redredging, \$67,800.

Grand river-agreed contribution to improvements, \$65,000.

Toronto, western entrance — redredging, \$24,200.

Harbours and rivers generally—for maintenance of services, no new works to be undertaken, \$130,000.

Mr. MacNICOL: There is a vote here in connection with Grand river. Does that refer to the Shand conservation dam three miles north of Fergus? The work is now completed I understand. Will there be further contributions to it?

Mr. MICHAUD: I am told that this will practically complete the work.

Item agreed to.

Telegraph branch.

Telegraph and telephone services—operation and maintenance.

305. Land and cable telegraph lines—lower St. Lawrence and maritime provinces, including working expenses of vessels for cable work, \$140,640.

Mr. HAZEN: What telegraph lines does this refer to?

Mr. MICHAUD: It covers all the lines that were built in the past by governments in the pioneering district on the north shore of the St. Lawrence, in certain remote sections of the north shore of New Brunswick, and Miscou island, and some sections of Cape Breton.

Mr. HAZEN: Who operates them?

Mr. MICHAUD: Government officials, through Halifax and Quebec.

Mr. HAZEN: Does the Department of Public Works employ its own telegraphers?

Mr. MICHAUD: Yes.

Mr. HAZEN: Where does that appear in the break-down?

Mr. MICHAUD: The salary is contained in the vote with each particular item. On page 187 the salaries total \$25,858; temporary assistance and commissions, \$49,880; total salaries, \$75,738. Then we have cost-of-living bonus, repairs, materials, supplies, et cetera.

Item agreed to.

Mr. MacNICOL: Let us take items 306 to 310 inclusive together, and the minister can tell us the purpose of these votes.

Some hon. MEMBERS: Agreed.

Telegraph and telephone services—operation and maintenance.

306. Alberta and Saskatchewan, \$92,080.

307. Division superintendent's office, Vancouver, \$15,315.

308. British Columbia-northern and Yukon districts, \$128,750.

309. British Columbia-Vancouver island district, \$104,035.

310. Telegraph and telephone services generally, 5,000.

Mr. MICHAUD: It is on the same basis. In the remote places where private companies would not carry on but where we have to have

"Mr. MacNicol.]

services to communicate with our officials and to ensure the safety of the people living there, governments in the past have built telegraph and telephone lines.

Mr. STIRLING: And fire-fighting?

Mr. MICHAUD: Yes.

Mr. MacNICOL: Are they operated by the government direct?

Mr. MICHAUD: Yes.

Mr. McNEVIN: Is there any revenue?

Mr. MICHAUD: I understand there is, but it is very small.

Mr. MacINNIS: Have any lines been sold or transferred recently to private companies?

Mr. MICHAUD: Not that I know of.

Mr. MacINNIS: Does the government still control and operate all the lines that have been built by the government?

Mr. MICHAUD: We operate all the lines that were built by the government with the exception of some that were sold seventeen or eighteen years ago. I am safe in saying that within the last ten years no lines have been disposed of.

Mr. MacINNIS: The minister said these lines were built because it was not profitable for private companies to build them. But as soon as they become profitable they are sold to private companies and the government operates the unprofitable ones.

Mr. MICHAUD: I am told that that is not the case.

Mr. MacINNIS: Does that mean that within the last ten years none of these lines has become profitable?

Mr. MICHAUD: I am told that they were never profitable.

Mr. MacINNIS: And that is the reason the government operates them.

Mr. HAZEN: Does the government contemplate extending any of these lines? Is there any call for that?

Mr. MICHAUD: With one exception, on the Pacific coast.

Mr. ROSS (Calgary East): With regard to item 306, page 188, there is a reduction for telegraph operation. Would the minister explain that?

The CHAIRMAN: There is an increase of \$4,320.

5004

Supply-Public Works

Mr. ROSS (Calgary East): The analysis shows a decrease of one operator and an increase in the outlay. What is the explanation?

Mr. MICHAUD: It is a change in the status of the employee. Two positions became permanent, transferred from temporary, and that reduces the temporary expenditures.

Items agreed to.

General.

315. National Gallery of Canada, \$43,720.

Mr. FRASER (Peterborough West): Is the national gallery altogether open now, or is part of it closed?

Mr. MICHAUD: We tried to accommodate one department by allowing officers of the navy—I think it is—to use one large room pending the building of quarters for them. But that does not mean the closing of the gallery.

Mr. HAZEN: Were any portraits or paintings acquired by the national gallery last year?

Mr. MICHAUD: Not that I know of. It is just maintaining what we have there.

Mr. HAZEN: There is an item for the director, \$6,000. Does he have to do with the museum as well as with the national gallery?

Mr. MICHAUD: I am told that he has not.

Mr. HAZEN: Who is the head of the museum part? There is an item here for senior museum assistant. Is he the man in charge of the museum?

Mr. MICHAUD: It is not because he is employed in connection with the museum; it is because of his title that the word "museum" is there. He is a museum man working in the national gallery. He takes care of the art treasures. He has nothing to do with the museum proper.

Mr. HAZEN: Under whom does the museum part come?

Mr. MICHAUD: Mines and Resources.

Item agreed to.

Chief architect's branch.

Construction, repairs and improvements of public buildings.

319. Toronto Postal Station "A"-improvements, \$72,000.

Mr. MacNICOL: What is this vote for?

Mr. MHCHAUD: It is to provide for conveyors in the new post office in Toronto. One

44561-316

is already under contract and provision is made for the construction of another. Matthews Conveyors Limited are the contractors.

Item agreed to.

Chief architect's branch.

487. Ottawa—Maintenance and operation of dominion public buildings and grounds, including rents, repairs, furniture, heating, etc.—further amount required, \$28,600.

Mr. HAZEN: What does the word "rents" refer to here? Do you collect any rents?

Mr. MICHAUD: Yes, we have buildings from which we collect rents.

Mr. HAZEN: In Ottawa?

Mr. MICHAUD: Yes.

Mr. HAZEN: What buildings? Is that what this item represents? Is it a commission paid for collecting rents, or what does it mean?

Mr. MICHAUD: No; we have buildings owned by the crown, which have been expropriated in the past and are being rented.

Mr. STIRLING: But this is an expenditure.

Mr. MICHAUD: This is the bookkeeping entry under which it comes; it is like the word "museum" in the other instance. This does not mean that of this amount of \$28,600 anything is paid in rent. As a matter of fact this is to pay for the water consumed in the public buildings. Recently there was an increase in the water rate charged by the city of Ottawa, and this is to provide for the increased cost of the water being consumed in the various public buildings.

Item agreed to.

Chief engineer's branch.

Construction, repairs and improvements-harbours and rivers.

491. Ontario — Port Maitland — dredging, \$36,200.

Mr. MacNICOL: Does this refer to Maitland on the St. Lawrence river?

Mr. MICHAUD: No, I think it is in Haldimand county.

Mr. MacNICOL: Where is it—at the mouth of the Grand river?

Mr. MICHAUD: I think it is.

Item agreed to.

Special.

Chief engineer's branch.

494. To provide for commitments in connection with unemployment relief projects, \$521,000.

Mr. PURDY: Could we have an explanation of this large item?

REVISED EDITION

Supply-Agriculture

Mr. MICHAUD: This is to meet our commitments in connection with the Quebec sewer. I understand that a few years ago an agreement was entered into with the city of Quebec to rebuild the sewer from the citadel down to lower town. It was decided that this was an undertaking toward which the dominion should contribute. The work has been going on for some time, and I understand this amount will complete it.

Mr. PURDY: What is the basis of the contribution—fifty-fifty, or what?

Mr. MICHAUD: The province of Quebec, the city of Quebec and the federal government all contribute toward the cost of the work. Our contribution is $17\frac{1}{2}/46$ ths of the whole cost; that is, the cost was divided into 46 parts and we pay $17\frac{1}{2}/46$ ths of that cost.

Item agreed to.

DEPARTMENT OF AGRICULTURE

Special.

449. To provide for wheat acreage reduction payments and for administration expenses in connection therewith—further amount required, \$22,950,000.

Mr. STIRLING: Would the minister in charge of agriculture at the moment be good enough to explain why there was a large reduction in this item in the main estimates, thus reducing the total of the main estimates by many million of dollars, and then this very considerable increase in the supplementaries? Obviously this expenditure must have been foreseen months ago.

Mr. CRERAR: I think the explanation is that when the main estimates were prepared no decision had been reached on the question whether or not acreage reduction bonuses would be paid for the current year. Later on, in view of the situation that developed, it was decided that the policy should be continued in order to prevent any undue increase in wheat acreage, and this vote implements that decision. That is my recollection of the matter, and I think I am within the bounds of fact in this explanation. As everyone knows, the crop on the prairies this year promises to be very good. It is not yet harvested, though the time of harvest is approaching. Storage problems will arise. I think I am correct in saying that wheat acreage has been held down to almost the limit of 1941. Had it not been for something of this kind it is probable that the acreage would have greatly increased, and we would have had to deal with very difficult questions relating to storage.

Mr. STIRLING: Of course we all remember that the government took a considerable amount of credit for the reduction in the [Mr. Purdy.] peace-time estimates of some \$30,000,000 in connection with this item. Now, at the very end of the session, we find that \$22,000,000 must be voted in the supplementaries.

Mr. CRERAR: Quite true.

Mr. CASTLEDEN: The amount paid out this year will depend largely upon the wheat acreage of 1942. Could the minister tell us what the wheat acreage is and what the government expect they will have to pay bonuses on this year?

Mr. CRERAR: As I understand it, that is based on the reduction from 1940. Obviously I cannot give the acreage upon which bonuses will be paid; I have not that information here.

Mr. CASTLEDEN: I believe the Minister of Trade and Commerce has some figures in that regard; perhaps he can inform the committee.

Mr. MacKINNON (Edmonton West): My understanding is that the acreage this year is approximately 20,653,000, according to the bureau of statistics.

Mr. CASTLEDEN: How does that compare with last year?

Mr. MacKINNON (Edmonton West): It is about the same—I think about 500,000 acres less.

Mr. CASTLEDEN: Then the wheat acreage reduction payment will have to be larger than it was last year?

Mr. ROSS (Moose Jaw): No, it will be smaller. Summer-fallow is \$2 as against \$4 the previous year.

Mr. CASTLEDEN: It will all depend upon how much is in wheat, as compared with what was in wheat in 1940. I believe it is all based on 1940 now, instead of 1939 and 1940.

Mr. MacKINNON (Edmonton West): Yes.

Mr. CASTLEDEN: How much was paid out last year?

Mr. MICHAUD: \$30,630,000.

Mr. CASTLEDEN: Will this amount be sufficient for this year?

Mr. MICHAUD: I am told that this amount will be sufficient on the new basis.

Mr. McNEVIN: I do not wish to say a word to delay the passage of this item, but in the light of its size I am surprised at the remarks of the hon. member for Moose Jaw yesterday in objecting to the \$1,500,000 for rural mail delivery in Ontario.

Mr. FAIR: When will the balance of the 1941 wheat acreage reduction bonus be paid?

Supply-National War Services

Mr. MICHAUD: I have not the figures here.

Mr. TUSTIN: I would draw the attention of the Chair to the fact that we have passed \$36,000,000 in thirty-five minutes. There should be no such rush.

The CHAIRMAN: I hope hon. members understand that if they have any questions in respect of any items we will stop, on request and in fact we have done so. We have reverted to items already passed. Some do not follow at the same speed as others.

Mr. TUSTIN: Quite correct; I do not wish to say anything to offend the Chair, but I cannot read the items as fast as they are being called.

The CHAIRMAN: If any hon. member wishes to have any other item called, we will call it.

Mr. TUSTIN: I find under this item an amount of \$495,000 for temporary assistance and \$149,000 for professional services. Would the minister give a break-down of those items?

Mr. MICHAUD: I am sorry, but I have not been supplied with that information.

Mr. TUSTIN: Then could this item stand?

Mr. MICHAUD: I could get the information from the department and forward it to the hon. member.

Item agreed to.

Marketing service.

4/8. Subsidies for cold storage warehouses under the Cold Storage Act, and special grant of \$750 to the North Wiltshire Dairying Company, North Wiltshire, Prince Edward Island further amount required, \$150,000.

Mr. HAZEN: Would the minister give us a break-down of this item?

Mr. MICHAUD: In the main estimates there was a vote of \$108,350. That was sufficient to take care of commitments with respect to cold storage already planned and agreed upon. It is anticipated, however, that during the coming year there will be a demand for additional cold storage facilities, in view of the increased demand for dairy products, bacon, poultry and other foodstuffs to be gathered together for shipment overseas. On account of shipping difficulties these foodstuffs will have to be cared for longer than would be necessary under ordinary circumstances. when shipping facilities are readily available. In order to protect these goods it is anticipated that we may have to have additional cold storage facilities at shipping points in Canada. The locations are not ascertained. This is a vote to be used only in cases of actual and absolute need. For example, there has been 44561-3163

an application by the North Wiltshire Dairying company. When they were nearing completion of their plant they found they would require additional space. This necessitated additional expense, and therefore an extension of their subsidy or grant.

Then there are the Trenton Cold Storage company and also the Winnipeg Cold Storage company, each of which may need additional facilities. I believe there are other places in Nova Scotia, Cape Breton, Prince Edward Island and on the British Columbia coast. This vote is to take care of the emergency which may develop during the coming year in connection with providing proper cold storage facilities for commodities produced by Canadian producers.

Mr. STIRLING: Will all these grants be paid under the Cold Storage Act, and not as direct grants?

Mr. MICHAUD: This is a special grant of \$750.

Mr. STIRLING: Supplementary to one which had already been granted, I presume, under the Cold Storage Act.

Mr. MICHAUD: Yes, but they could not comply with all the provisions.

Item agreed to.

DEPARTMENT OF NATIONAL WAR SERVICES

200. Canadian travel bureau service—to assist in promoting tourist business in Canada, \$500,000.

Mr. MacNICOL: Here is another very large sum of money. The details at page 147 of the estimates indicate that the staff has been reduced by two. I should have thought it could have been greatly reduced and the staff placed in other departments during the war. Salaries have increased from \$40,000 to \$43,000. If there is not very much tourist traffic from the United States—and in fact there is not, because one does not see one car on the road to-day where he would have seen ten in other years—one wonders why this sum of money is necessary. The tourist traffic along the St. Lawrence and to Hudson bay has been greatly diminished. What is the staff doing?

Mr. THORSON: I would ask one of my colleagues to move that the estimate be reduced from \$500,000 to \$250,000. My reason for asking this is that because of gasoline and tire shortages we have felt it would be wise to discourage the movement of tourists from the United States to Canada, especially when to a large extent we have to obtain both gasoline and tires from the United States. We have therefore practically discontinued the

Supply-National War Services

operations of the bureau. The staff has been reduced from thirty to nine, and I expect that of that nine, four will be leaving, thereby leaving only a skeleton staff to answer inquiries. In view of gasoline and rubber shortages we have felt this a proper move.

Mr. MacNICOL: Will the staff which would otherwise be engaged in this branch be given positions in some other department?

Mr. THORSON: Some have left; some have been transferred to other departments. The best possible arrangements have been made for meeting the situation.

Mr. McLARTY: Mr. Chairman, I move he amendment suggested by my colleague, that item 200 be reduced from \$500,000 to \$250,000.

Mr. NICHOLSON: In view of what the minister has just said, it seems to me there is no justification for spending \$250,000. Why \$250,000?

Mr. THORSON: If the amount is not required, it will not be spent. Some commitments have already been made which must be met. Some funds will be released for the purpose of making pictures for subsequent use and distribution in the United States. There may be a certain amount used for good-will institutional advertising which will not encourage people to come to Canada and use up gas and tires but will keep the name of Canada before them. I assure my hon. friend that the greatest care will be taken in the expenditure of this money, and if it is not required it will not be spent.

Mr. NICHOLSON: It seems to me that this is no time to be worrying about the tourist business that may come after the war, or keeping the name of Canada before the eyes of people who may be interested in coming here. I think this item should be reduced to \$1, and the staff now employed in this service should be able to fit into some more essential service. According to the details on page 147, the sum of \$408,000 is to be spent on advertising and publicity. How does the minister propose to spend this \$250,000, and what percentage of it will go for advertising and publicity?

Mr. THORSON: We have already spent approximately \$30,000. I do not think we shall spend very much more. There may be a small amount for good-will institutional advertising, as I mentioned, but we may not spend even that. I would not like to go below \$250,000, but I do not think all of it will be spent.

[Mr. Thorson.]

Mr. NICHOLSON: There is a big spread between \$30,000 and \$250,000. The minister should give us some break-down of the \$250,000 before asking us to pass this item.

Mr. MacINNIS: I think the point of the hon. member for Mackenzie is well taken, on the basis of the minister's own statement. The minister said that the government had decided, because of the shortage of gasoline and tires, to discontinue tourist advertising in the United States, and that only a skeleton staff would be kept on in the bureau to answer inquiries. It is a bad principle, I submit, to vote more money than you expect to spend; otherwise there is always an invitation to spend it for some purpose that may not be important. The leader of the opposition this afternoon advocated a great reduction in expenditure. While not agreeing with him to that extent, I believe we should not expend money unless we can get increased production or save resources that we already possess. The minister says that this \$250,000 is not necessary for the purpose for which it was originally intended. In that case it should not be kept in the estimates; otherwise it may be drawn upon for some unimportant purpose.

Mr. CASTLEDEN: I should like to have a break-down of the \$408,000 that was spent last year on advertising and publicity. I see the minister has a director at \$7,000 a year, an investigator at \$4,000, and two head clerks at \$3,000 each. In view of the reduced necessity of this work, an explanation is in order.

Mr. THORSON: I cannot at the moment give a detailed break-down of the advertising item, but I can say in a general way that the bureau conducted an advertising campaign, largely in the United States, in the course of which advertisements appeared during the tourist year in fifty-eight magazines and sixtyeight newspapers, reaching a reading public of 154,570,000. The advertising expenditure was \$259,910.50. I could get for my hon. friend a break-down showing what was paid to each newspaper and magazine if he wishes to have it.

Mr. NICHOLSON: I ask for a break-down of how this \$250,000 is proposed to be spent.

Mr. THORSON: There are already a number of commitments. We have spent over \$27,000 in advertising which we embarked upon before we made our decision to discontinue advertising for the purpose of attracting tourists. I think it necessary that a sum of \$50,000 be appropriated so that films can be made for the use of the travel bureau. That has been requested by the national film board for the use of the travel bureau, which has been instrumental in bringing United States dollar exchange to Canada when it was greatly needed. The situation in that respect is a little improved, but there is still that need. I think that \$250,000 which is left in the item will be more than ample for the requirements of the bureau, but just how much more I am unable to say at this time. The tourist development committee in the department has been pressing for some good-will institutional advertising in the United States. But we may not spend even that. I think it would be wise to leave these amounts in the estimates with the assurance I have given the committee.

Mr. MacINNIS: I understood the minister to say that the staff was to be reduced from thirty to nine?

Mr. THORSON: Yes.

Mr. MacINNIS: I see that there is provision made here for fourteen.

Mr. THORSON: There are others, temporaries.

Mr. MacINNIS: Which of this staff is to be retained as a skeleton staff?

Mr. THORSON: I can give the hon. member the names if he wishes them. There is the chief, Mr. Dolan; the assistant chief, Mr. McCallum; the head clerk, Mr. O'Keefe; a clerk, grade 4, Miss Marsolais; two grade 1 stenographers, Miss Bogue and Miss McMullen. Those are the permanent staff. Then, of the temporaries, Mr. Lafrance, clerk, grade 1; Miss Fairfield, stenographer grade 1; and an office boy.

Mr. MacINNIS: The minister says, "the chief." Does he mean the director?

Mr. THORSON: No; Mr. Dolan is called the chief.

Mr. MacINNIS: Well, he is called the director here.

Mr. THORSON: Well, it is the same person.

Mr. MacINNIS: What will the director, with a salary of \$7,000, have to do at the present time if the only work of the bureau now is the answering of questions and the giving out of some information? To answer questions and reply to letters as they come in is hardly sufficient work for a director at \$7,000 a year.

Mr. THORSON: That is quite true. The situation which I have indicated to the committee is, I hope, a temporary one, but there

are plans to keep arranging and the future is still to be considered. It is true the chief will not have much to do this year.

Mr. CASTLEDEN: The minister in his break-down gave us \$250,000 for advertising in magazines. How about the other \$150,000 of the \$408,000? While he is answering that would he explain why he anticipates the cost of temporary assistance this year will be \$13,000 as compared with \$7,000 last year?

Mr. THORSON: I gave the figure of advertising. The total amount of \$408,000 included advertising and publicity. I am sorry that I have not under my hand the complete break-down of that, but I shall be glad to furnish it to my hon. friend.

Mr. GILLIS: I do not wish to haggle over the reduction in this item. What I have in mind is this: the national film board and the Canadian travel bureau are closely related here. I think they are tied together, and the minister has made reference to them in this connection. To my mind the amount being appropriated for the work of the national film board is very small. The board is about the most valuable educational medium for war purposes that there is in Canada to-day.

Mr. MARTIN: Does that item include all the national film board vote?

The CHAIRMAN. Order. We are on item 200. The film board is 201.

Mr. GILLIS: I was dealing with the proposal to reduce. I do not see any necessity for wasting a lot of time on this particular item. The minister says that if the money is not spent it will be there; that is all.

The CHAIRMAN: We have to dispose of item 200.

Mr. GILLIS: I am talking about item 200.

The CHAIRMAN: All right, but not the film board.

Mr. GILLIS: No, I am not talking about the film board now. As I understand it, the minister made the observation that we shall be able to scrutinize these estimates again next session, and he has reduced the amount by 50 per cent. I merely suggest that the amount he is talking of might be diverted to the other organization to promote and develop it.

Mr. McCANN: The discussion of this appropriation should be made in the light of the accomplishments of the Canadian travel bureau in the past, not entirely with regard to its work at this particular time. I think it is generally recognized that the Canadian travel bureau has been one of the best agencies we have had to advertise Canada throughout the world, and particularly to our neighbours in the United States. When it is known that in a single year United States tourists have brought into this country \$200,000,000 and at a time when, as the minister has said, Canada needed United States dollar exchange, and, in addition to that, 22,000,000 people in a single year have visited this country, I submit that money could not be spent to better advantage than in the advertising which the Canadian travel bureau has done.

Mr. MacNICOL: In the past.

Mr. McCANN: In the past. That is exactly the point I am making. One should not consider this appropriation in view of the circumstances this year without taking into consideration what has been accomplished in past years and what the future may hold in store for an agency of this particular type. Even at this time, when by reason of the curtailment of oil, gasoline and rubber, we have not that mode of transportation which there was formerly, there are a great many people in the United States who, when you make Canada known to them through advertisements in United States newspapers or magazines. will spend their holidays in this country. Within the last month, in coming to Ottawa from New York, I met on the train a number of people who were on their way to spend their holidays in the Saguenay country. It is somewhat unfair to say that the director will not have much to do now. That is the statement of the minister. I say, consider what the director has done. He has built up a splendid business in this country.

Mr. THORSON: I should have said that he will not be as busy as he has been in previous years.

Mr. McCANN: I agree with that. He has been a very valuable public servant, and, both through the conduct of the travel bureau and in personal trips and talks to great bodies of men and women in the United States, he has helped, as they say in the vernacular, very much to "put Canada upon the map."

It would be poor policy to drop that method of keeping Canada before the people of the United States. One has but to travel throughout the United States to be convinced that there is an utter lack of knowledge there of this country. Halifax, Vancouver and Winnipeg are contiguous to a great number of Americans and it is only by advertising Canada, through both the written and the spoken word, that we can bring the great attributes and other attractions of this country before the people of the

[Mr. McCann.]

United States. If we want to continue the good-neghbour policy and promote good-will with our friends to the south I know of no better agency for that work than the continuance of the Canadian travel bureau. I quite agree with some of those who object to the appropriation of half a million dollars and who say that it might well be cut this year to half that amount. But there are a great number of Americans who can be approached and brought to this country by rail to spend their holidays in parts of Canada, and not only would that be of great benefit to them but it would benefit this country by reason of their greatly improved knowledge of Canada and as a result of the money they would leave here. Therefore anything we can do to promote a better feeling between the people of the United States and the people of Canada should be done. Through no fault of the travel bureau or of its director the type of travel we have had has fallen off. but that is no reason why the expenditure should be cut to the bone. Let us retain at least the good public servants we have in connection with the travel bureau. Let us retain a sufficient appropriation to keep that bureau functioning, and let us continue, in season and out of season, to advertise Canada to our neighbours to the south. It would be one of the most important factors in the promotion and continuance of good-will between the two countries.

Mr. CHURCH: The item has been reduced to \$250,000. Hon. members will notice that His Majesty's opposition consists at the moment of three members from the city of Toronto, though I may say that my good friend the hon. member for St. John-Albert (Mr. Hazen) has just re-entered the chamber after being in the house all day. I want to point out to the government the absolute uselessness of spending a cent on this bureau so long as the present policy is continued. We have a large exhibition, the Canadian National in Toronto, but the property of that exhibition has been given up to war purposes. About two million people from all parts of the world visit the exhibition every year. I see my good friends from the Windsor district and from districts along the great lakes and the river St. Lawrence. It is grossly unfair that this large national business is being conducted and curtailed as it is at the present time. In the last war the United States came into the conflict as our ally in 1917 and at that time there was practically free entry into this country. There were three large, fine lake steamers on the Niagara district

route from Toronto and Americans came freely. Now there is only one boat, and the tourist business has been practically ruined. I do not think the government is wise so far as the \$50 exchange is concerned. It ought to be allowed for Canadians to go twice a year to the United States. What the government is saving in this way it is losing in the tourist trade, especially by not having reciprocal visits to retail stores. This is true of every city along the border from Montreal to the head of the lakes. It is a grave mistake. There are many conventions coming here and the people are disappointed. All the exchange saved is lost in the wash up to \$50. We had a large number of Lions the other day in Toronto. By the way, the word "lion" is practically forgotten in this country; we hear of scarcely anything but the eagle. I would remind the government, however, that the great lion is in existence guarding our shores.

However, to continue, not only the hotel men but the convention people are complain-We are losing a lot of good tourist ing. business. I was at Fort Erie and the Niagara district a short while ago. I have not been in the United States more than once or twice since the great war. I do not often go there. I know, however, that many Americans have relatives here, and vice versa. There are Americans who have relatives in Canada in the lake Erie and lake Ontario towns. Their great grandfathers owned summer resort property in this country, but most of those properties are vacant this summer, according to what I have read in the Muskoka Herald and other Ontario papers. Our policy is all wrong. We have what I might call a large expeditionary force in Washington to arrange these matters, but it seems to me that nothing is being done by them about a freer exchange of tourist trade and to make it easier for Canadians to visit the United States. A large bridge-the Rainbow bridge-was constructed at Niagara at considerable cost. But what do we find? On the 4th of July we did not get the business that we should have had. This summer we are not getting anything like the tourist traffic that we had during the last war. In the Montreal district I used to see Americans who had come from the west. They crossed at Detroit, went to Toronto and travelled all the way down from Lachine rapids to points below Quebec. Now there is little of that. I repeat, we are losing a lot of money, a lot of business, by not having a freer exchange of tourist trade. A proper exchange arrangement would be of great advantage to us in this war.

The minister is only young in the department; he has been there only a short time.

Supply-National War Services

I say to him that we should revise our programme because we are losing many American friends. I remember during the last war when between two and three thousand American college students in the officers training corps at Fort Niagara, New York, on lake Ontario, used to cross the border and visit Toronto weekly. The city of Toronto used to interest itself in this matter by arranging for boats for them from Niagara, Ontario. A steamer crossed the lake for them, and the students who came to Toronto returned on Sunday night after a fine week-end. That exchange of visits did a great deal of good for the two allies in the last war. These young people were largely officers of the United States training corps, and there were others from some forty-six universities in the United States. True, our students spent only a little bit of money over there, but these visits were a good thing for our relations during and after the war. There are only a few members here this afternoon but I hope that in the recess the suggestions I have made will be taken up. The present policy is absolutely wrong. People are being prosecuted in the police court for having \$1.25 or \$1.75 of United States funds not accounted for on a week-end visit. There are many such prosecutions in my city, the only city where it is enforced by foreign exchange control officers. All this is hampering our tourist trade with an ally of ours in war. I do not object to reasonable methods at the border in time of war, but the present arrangement seems to be all one-sided so far as the tourist trade is concerned. Americans can cross the border freely at any time. They can walk over the bridge at Niagara and hardly a question is asked. But when the traffic is the other way, when Canadians try to cross-well, you had better look out or you will be arrested for breaking some law or another. I am sorry to detain the committee, but I wish to protest. It is ruining the tourist business all over the great lakes, and Canada is the loser.

Mr. ROSS (Calgary East): I agree with what has been said by the hon. member for Renfrew South (Mr. McCann). The tourist business is one of our most important industries. We think of wheat as one of the greatest, but in some years the tourist traffic brings more money into the country than wheat.

Mr. NICHOLSON: How does that hurt Hitler?

Mr. MARTIN: It helps our foreign exchange.

Supply-National War Services

Mr. ROSS (Calgary East): It helps our foreign exchange to a considerable extent, and we need that exchange at this time, particularly United States exchange. We need United States tourists; we need United States exchange; we need them very much. I hope the minister will give this matter careful consideration before finally deciding to reduce the item.

Mr. ROSS (St. Paul's): Where are the estimates for the administration of national war services?

Mr. THORSON: The bulk of the estimates of the Department of National War Services come from the war appropriation. The reason why these two items are under the Department of National War Services is that these two organizations which existed in peace time were put under the jurisdiction of the Minister of National War Services.

Amendment agreed to.

Item as amended agreed to.

201. National film board, including motion picture bureau, \$237,000.

Mr. MacNICOL: What is the purpose of the item on page 148, development of international circulation of films, \$35,000? Apparently it was not in the estimates last year at all.

Mr. THORSON: This item of \$35,000 is broken down as follows:

Equipment													
Prints and	m	at	te	ri	a	ls.							12,500
Employees													7,500
Promotiona	1	ez	rp	e	ns	se.							5,000

The sum required does not represent altogether new expenditures. It is intended to supply overseas services some of which have in previous years been undertaken and financed by different departments in piecemeal fashion. It is now proposed to consolidate and plan these services. Some copies of films for overseas were provided in previous years from the motion picture bureau vote under the item described as "materials" when money could be spared from this heading. It was felt that this policy was no longer satisfactory, for the following reasons: first, the increased demand for films on the home front does not permit of this source being tapped; second, the growing demand for films overseas now requires separate consideration and may no longer be met from what can be spared from the vote on "materials", and third, many copies of Canadian films now abroad are out of date and are really doing Canada more harm than good, and a special effort is now being made to substitute new films. The Department of External

[Mr. Martin.]

Affairs has interested itself in this particular matter, and this project represents a further aspect of the development of the government's policy with respect to South America; film services have already been planned by External Affairs for development in Brazil and the Argentine, and further development of services now planned in the United Kingdom, Australia, New Zealand and South Africa also awaits the support of this vote.

The distribution of Canadian films in the United States has been put on a commercial basis with a good deal of saving to the Canadian government, but a full development of our Canadian film service there requires the support of this vote of \$35,000.

Mr. MacNICOL: Is there any revenue from films sent overseas or to the United States?

Mr. THORSON: There will not be any revenue from this particular item. It should be remembered that the national film board is the central agency and makes films for other departments, and in respect of the films it makes for other departments that money is chargeable to the other departments and recovered from them.

Item agreed to.

DEPARTMENT OF TRADE AND COMMERCE

343. Electricity and gas inspection services, including administration of the Electricity and Fluid Exportation Act, \$285,565.

Mr. CHURCH: War services in light, heat. power and transportation are being given at cost by these electric companies and gas companies to the government during the war. Many munitions plants could not carry on were it not for that supply of power at cost for direct current. The inspection by the government is costing them a large amount of money and should be eliminated in war time for publicly owned plants. Does the government expect the hydro-electric system serving some 800 municipalities to pay the cost of inspecting these appliances in plants where war work is being done? The inspection is necessary, or something might happen that could cause an explosion and delay the war work. I think this inspection cost ought to be cut out altogether, and the federal authority should supply this inspection free. This matter has been before the minister of that department for years. Action was promised the year before last. It is not fair that the federal authority should ask these publicly owned municipal and provincial power companies in the Niagara district and elsewhere to pay for this inspection service. There are some in this very building. The principle is

Supply-Trade and Commerce

all wrong. I ask the minister to look into the matter and see whether some amendment cannot be made, especially in regard to war work and the cost greatly reduced. The cost is excessive.

Mr. MacKINNON (Edmonton West): The object of the department is to keep the receipts reasonably close to the cost of service. The cost of the service for examining domestic meters, regarding which the hon. member spoke two years ago when he referred to this matter, is just 60 cents for the five years, or at the rate of 12 cents a year or 1 cent a month, which is very small. I shall, however, be glad to have the officials look into the matter my hon. friend has raised.

Mr. CHURCH: The Minister of Munitions and Supply is regulating oil furnaces, boats, street cars, and all electrical appliances and services to war plants, and the country is getting the benefit of this at cost. There should be some revision. They are not giving the service at cost; far from it. It is ridiculous to put upon the private consumer such charges in costs of inspecting these federal war munitions buildings and munitions plants. The government is getting this power at about one-third of what it used to cost, getting it at cost from publicly-owned companies. There is a unit hydro system of public ownership at below cost to war plants. I wish the minister would look into the matter.

Item agreed to.

\$46. Publicity and advertising in Canada and abroad other than in the United Kingdom and Europe, \$33,000.

Mr. ROSS (St. Paul's): Recently we have had a good deal of discussion about shortwave radio. What is the minister's opinion as to how useful short-wave radio would be for the advertising of Canada in Canada, the United Kingdom and abroad? I understand that last year several thousand dollars were spent on publicity of this kind in the United Kingdom, while a good deal of money has been spent in this direction in the countries of south America. For many years I have advocated some such form of advertising, and it seems to me that it could be done at very much less cost and with far more success in this way. I think it might be interesting to learn the views of the minister in this regard.

Mr. MacKINNON (Edmonton West): This item has to do largely with newspaper advertising, but if I understood the hon. member correctly he asked about the beneficial results that might flow from the installation of a

short-wave radio station and the use of short-wave radio in relation to other parts of this hemisphere. When the Canadian trade mission was in south America we received urgent requests on the part of those countries for more Canadian news, and we have given considerable study to the question. We have urged in the proper places that this suggestion be dealt with as favourably as possible, in the hope that such a station might be established in order to bring closer together the peoples of Latin America and those of north America.

Mr. ROSS (St. Paul's): One of the objections that have been urged to the installation of a short-wave radio station has been the cost of such installation, the cost of operation and so on. The value we would get in return would be immeasurably greater. It is difficult to estimate that value in dollars and cents, but I think it is most urgent that this station should be set up in order that we may send more news to south America, let them know more about our products and so on. After this war is over, we would be in a better position to get those markets than we would be if this were not done.

Mr. MARTIN: The radio committee has made several recommendations to this effect.

Mr. CHURCH: I do not object to the Department of Trade and Commerce carrying on this publicity and advertising in Canada and abroad, though, of course, this item does not cover the United Kingdom and Europe. I do object, however, to the fact that while we have this service, which on the whole has been efficiently operated under this department, other branches of the government carry on their own publicity work, much of which is not needed, which causes duplication and triplication of the publicity service. I believe the money we spend on publicity in the United States, with the exception of that spent under this department, is wasted, and it amounts to a very large sum. All these services should be coordinated under Trade and Commerce. Our neighbours across the border do not want this advertising of Canada and our war effort. The government would be far better off in telling the Canadian people all about the war. That work is left very largely to the newspapers, however, as I said last night. The same applies to the money spent on publicity in Great Britain. I am sure the people of the United States resent all the forced advertising and publicity being carried on there, and it is of no value to Canada.

Item agreed to.

Supply—Trade and Commerce

Canada Grain Act.

349. Operation and maintenance, including inspection and weighing, registration, etc., \$1,558,703.

Mr. CASTLEDEN: I notice that this item has to do with inspection and weighing, while item 347 deals with the weights and measures inspection service. Is there any duplication of service?

Mr. MacKINNON (Edmonton West): Item 347 is for the weights and measures inspection service, while this item is for the Canada Grain Act. They are entirely separate.

Mr. CASTLEDEN: What is the work done under item 349 which costs this amount of money?

Mr. ROSS (Moose Jaw): The weighing and inspection of all cars of grain in both western and eastern Canada.

Mr. MacKINNON (Edmonton West): The work done at Winnipeg, at the head of the lakes and all the way through in connection with the handling of grain, from the time we take it at the elevator.

Mr. CASTLEDEN: The government pays the total cost of checking the weights of all cars?

Mr. ROSS (Moose Jaw): The government pays the cost, but the farmer pays it back in the charge of \$2 a car.

Mr. CASTLEDEN: What is done with the money the farmer pays for this service?

Mr. ROSS (Moose Jaw): It goes into the consolidated revenue fund, I suppose, and this is the amount paid out by the government.

Mr. CASTLEDEN: What is the amount paid in?

Mr. ROSS (Moose Jaw): It is a little less than the amount paid by the department.

Mr. CASTLEDEN: What is the amount, if the minister can give it to me.

Mr. MacKINNON (Edmonton West): The cost of inspection and weighing is given together. For 1940-41 the receipts totalled \$924,022.08, while the expenditures amounted to \$1,454,130.74.

Item agreed to.

Canada Grain Act.

350. Canadian government elevators, including equipment, \$373,002.

Mr. CASTLEDEN: How many of these elevators are there, and what is their capacity? [Mr. Church.] Mr. MacKINNON (Edmonton West): In the western division the total capacity is 509,353,519 bushels, and in the eastern division, 90,085,800 bushels.

Mr. CASTLEDEN: The government does not operate any of these government elevators?

Mr. MacKINNON (Edmonton West): Those are the licensed storage premises.

Mr. CASTLEDEN: They are governmentowned elevators?

Mr. MacKINNON (Edmonton West): That is the total elevator capacity.

Mr. CASTLEDEN: They are Canadian government elevators.

Mr. MacKINNON (Edmonton West): I was not giving those figures.

Mr. CASTLEDEN: That is what I want.

Mr. ROSS (Moose Jaw): Internal, or all of them?

Mr. CASTLEDEN: The Canadian ones.

Mr. ROSS (Moose Jaw): There are two kinds.

Mr. MacKINNON (Edmonton West): It will be understood that we are working under some difficulty. I had hoped to have with me an official of the board of grain commissioners, but I told him he would not be needed until this evening.

Mr. CASTLEDEN: I would be willing to have the item stand, so that the minister could give the information later. I would also give notice of this question. What is the amount received by the government in leases for these elevators? I would be prepared to receive that answer at eight o'clock.

Mr. MacKINNON (Edmonton West): I shall have it for the hon. member at that time.

Item stands.

Dominion Bureau of Statistics.

351. Administration, \$88,179.

Mr. MacNICOL: Is Doctor Coats still in the government service?

Mr. MacKINNON (Edmonton West): He is on superannuation.

Item agreed to.

Dominion Bureau of Statistics.

353. Census of population, \$1,018,015.

Mr. ROSS (St. Paul's): Is this an annual expenditure, or just a clean-up.

Mr. MacKINNON (Edmonton West): It is just a progress expenditure.

Mr. NICHOLSON: What will be the total cost of taking and compiling the census?

Mr. MacKINNON (Edmonton West): The total census requirements for last year were \$2,750,000, and for this year they are \$903,140.

Mr. NICHOLSON: I understand it will take some time to complete the compilation. What will be the cost when completed?

Mr. MacKINNON (Edmonton West): I do not believe I can give the actual figures, but the cost will become progressively less each year. A great deal will depend upon the compilation asked for and required for census information.

Mr. ROSS (St. Paul's): The total cost of the census last year was \$2,750,000, and for this year it is \$903,140. Is it all now paid for, or are we still paying for it?

Mr. MacKINNON (Edmonton West): The actual head count was completed last year, but the work connected with the census has been under way since then.

Mr. MARTIN: The analysis.

Mr. NICHOLSON: There are some interesting machines in the bureau of statistics which are used in connection with compiling the census. What special recognition has been given the civil servant who invented these machines, and have patents been taken out?

Mr. MacKINNON (Edmonton West): The inventor of the machines gets a small royalty. I am informed it is \$1,000 for one type of machine, and \$1,800 for the other. That is given by way of encouragement. He is a paid official of the department, and I am informed that the position occupied by the inventor has been reclassified since he perfected the invention.

Mr. NICHOLSON: In view of the fact that only very few of these machines are available, that seems to me a very small compensation. If I recall correctly, these cards go through at the rate of about thirty a minute. I understand there are no other machines in the world which perform nearly as well as these. A civil servant who has done such exceptional work should be given some permanent recognition for such a worth-while contribution.

Mr. MacNICOL: Many commercial machines go faster than thirty cards a minute.

Item agreed to.

Mail subsidies and steamship subventions. 356. Administration, \$9,946.

Mr. CASTLEDEN: How much went through the department last year by way of subventions?

Mr. MacKINNON (Edmonton West): For last year it was \$1,383,610. The hon. member will notice that the estimate for 1942-43 is \$738,456.

Mr. CASTLEDEN: What are the duties of the director of trade routes?

Mr. MacKINNON (Edmonton West): He is the official who supervises all these services and the expenditure of all these moneys. He also gives advice to Canadian exporters as to how they should ship their goods.

Item agreed to.

National research council.

360. Salaries and other expenses of the national research council, \$857,743.

Mr. MacNICOL: During the last year or two we have read in the press that one or two officials in the national research council have been working on some scheme to improve the manufacturing of magnesium metal. We learned that later on one or more of these officials left the department, and that they are now engaged in the manufacturing of that metal. I should like to know whether the process was developed by government officials, at the expense of the government, and afterwards used elsewhere? Does the government receive any return from the process when used outside the department?

Mr. MacKINNON (Edmonton West): The production of magnesium metal has been receiving a great deal of attention from the technical staff of the national research council. The work is being done in connection with the trade outside.

Item stands.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Canada Grain Act.

350. Canadian government elevators, including equipment, \$373,002.

Mr. MacKINNON (Edmonton West): Before the dinner recess the hon. member for Yorkton asked for the capacity of the dominion government elevators. I am giving this in detail:

	Bushels
Port Arthur	3,250,000
Moose Jaw	5,500,000
Saskatoon	5,500,000
Calgary	2,500,000
Edmonton	2,350,000
Lethbridge	1,250,000
Prince Rupert	1,250,000
Halifax	2,200,000
Vancouver	4,335,000

28,135,000

The hon. member then asked what money was realized by the government on leases of these elevators. The only elevator leased is the one at Port Arthur, at a rental of \$51,000 plus a further additional rental of half a cent a bushel on all grain in excess of 9,000,000 bushels elevated. In the year 1941-42 this amounted to \$57,101.44.

Mr. CASTLEDEN: That is the only government-owned elevator which is leased to any other company?

Mr. MacKINNON (Edmonton West): Under the Department of Trade and Commerce, yes.

Mr. CASTLEDEN: And all the others are operated by the government under this item?

Mr. MacKINNON (Edmonton West): Yes.

Mr. CASTLEDEN: What amount is paid to that company for storing grain in the Port Arthur terminal?

Mr. MacKINNON (Edmonton West): I have not these figures here but I think that was gone into very thoroughly before the agriculture committee and that all these figures are contained in the report of the proceedings of that committee this year.

Mr. CASTLEDEN: Well I have the report of the agriculture committee and what prompted me to ask the question is that I do not see that particular item. But I notice in the report given with regard to the operating of the Moose Jaw elevator for the fiscal year ended March 31, 1942, they took in 3,827 bushels and the earnings for that year were \$338.344.92. The expenditures were only \$47,691, leaving a surplus revenue over expenditure of \$290,653.92. The reason why they only took in 3,827 bushels was that the elevator was practically filled throughout the entire twelve months period. The point I want to make is that if the 3,250,000 bushels capacity of the Port Arthur elevator was filled during that period, practically \$260,000 must have been made on its rental.

[Mr. J. A. MacKinnon.]

Mr. MacKINNON (Edmonton West): I am informed, as the hon. member is well aware, that the elevator in question has been operated by a private company, and they do not report to us as to their business. They have leased the elevator on the basis which I have just mentioned, and that is the amount in which we are interested.

Mr. CASTLEDEN: Who leases this elevator?

Mr. MacKINNON (Edmonton West): McCabe Bros. Grain company.

Mr. CASTLEDEN: I know, but who determines what the amount of the rental shall be, and who signs as lessor? The Department of Trade and Commerce?

Mr. MacKINNON (Edmonton West): The government, on the recommendation of the board of grain commissioners.

Mr. CASTLEDEN: The figures are not available of the amount received from the grain board for the storage of wheat?

Mr. MacKINNON (Edmonton West): This is on an item dealing with the board of grain commissioners: I am advised that the board of grain commissioners are not furnished with any information on the point which the hon. gentleman has just raised. It is a matter which would be properly procurable from the wheat board.

Mr. DOUGLAS (Weyburn): Where is the item on the wheat board?

Mr. MacKINNON (Edmonton West): There is no item.

Mr. DOUGLAS (Weyburn): There has been in other years.

Mr. MacKINNON (Edmonton West): No, there has been no item in other years on the wheat board.

Mr. CASTLEDEN: We pay the deficit of the wheat board, do we not?

Mr. MacKINNON (Edmonton West): Yes.

Mr. CASTLEDEN: Does that not come through as an estimate?

Mr. DIEFENBAKER: Referring to this item, I do not know whether I properly understood the minister that there was only one elevator owned by the government of Canada, one terminal elevator located at Fort William, which was being rented to a private corporation?

Mr. MacKINNON (Edmonton West): Under control of the Department of Trade and Commerce.

Supply—Trade and Commerce

Mr. DIEFENBAKER: In addition to that, as the minister must be aware, quite a number of elevators owned by the government are to-day being leased by the government to private corporations in which private corporations are storing government wheat, which the government could store a great deal cheaper were it to operate the elevators. We had an example of that very recently where one corporation was able to rent from the government one elevator at Fort William, store it almost to capacity throughout the year with government wheat, the government paying for the storage of its own wheat in its own elevator, and the private corporation able to make a net profit, at the end of the year, of over \$400,000.

Mr. ROSS (Moose Jaw): Not on that elevator.

Mr. DIEFENBAKER: In connection with their storage, on the elevator.

Mr. ROSS (Moose Jaw): One elevator?

Mr. DIEFENBAKER: That was the evidence which was given.

Mr. ROSS (Moose Jaw): The wheat pool.

Mr. DIEFENBAKER: I am discussing the principle of the thing, and I point out here, too, that on April 21 last a return was brought down, in answer to several questions asked by myself which were as follows:

1. What is the location of and the capacity of each of the interior or terminal grain elevators owned or otherwise controlled by the government of Canada whether in Canada or the United States?

2. Which of said elevators have been leased to private corporations or individuals?

3. What was the actual amount paid by each to the government as rental by each of the lessees thereof during the years (a) 1940, and (b) 1941?

4. What is the amount paid to each of the said lessees for wheat or other grain storage during each of the said years by, (a) the government of Canada directly or indirectly; (b) the Canadian wheat board?

The answers to these questions reveal that, of the various elevators owned and controlled by the government of Canada, the following are rented by the government to private corporations, namely: Elevator No. 1 which is located at Vancouver; elevator No. 1 annex; elevators No. 2, No. 3 and No. 4, all located at Vancouver; and finally another elevator in Saint John, New Brunswick. I cannot understand why it is, when the government of Canada owns and controls most of the wheat in the country, it should see fit to lease these elevators to private corporations wherein these corporations store government wheat for which the people of Canada

are paying and the farmer indirectly is receiving a lower return for the wheat he sells. The time has come when such conditions should be ended, because there can be no justification for the government in any of the last two or three years leasing its elevators to private corporations to store government wheat for the benefit of the private corporation and the shareholders.

Mr. MacKINNON (Edmonton West): I have no objection to my hon. friend making a statement on the matter, although I do not think it is relevant to the item under discussion. The only elevator under the control of the board of grain commissioners, the estimates of which branch are being dealt with now, is the one at Port Arthur.

Mr. DIEFENBAKER: What the minister says is perfectly true. But that is one example, and I am pointing out further examples of the same course of action in order to ask the minister and the government to put an end to a condition of affairs that results in the government having to spend hundreds of thousands of dollars above that which it would cost the dominion were the government to operate its own elevators instead of leasing them to private corporations. I asked this question so far as the board of grain commissioners is concerned: Which of the said elevators-there are a number of them-have been leased to private corporations or individuals? The answer is, Port Arthur. The next question was: What was the rental paid by each to the government in 1940 and 1941? The answer given is that in so far as Port Arthur is concerned-the minister says that at the moment I should deal with that one-in the first year it was \$72,230.98, and in the second year, \$67,900.25. The capacity of that elevator at Port Arthur is 3,250,000 bushels, and at the present rate of storage it is a matter of simple computation to show that this private corporation is making approximately \$200,000 a year, or approximately \$150,000 a year net profit after paying all expenses in the operation of an elevator owned by the government and filled with government wheat. The time has come when the minister should do more than say that it was rented some years ago in the days when rent was very fair and when the elevator was not filled to capacity. This elevator to-day, like every other elevator in Canada, is almost filled to capacity, at any rate 90 per cent, all the year round. Will the minister tell the committee what the attitude of the government is in this matter, whether it contemplates once and for all, so long as the war lasts, so long as storage facilities are necessary, terminating a principle whereby the

government is renting its own premises for the storage of its own wheat, and in return receiving an amount far below that which it should be getting.

Mr. MacKINNON (Edmonton West): I understand that this matter has been fully dealt with. I believe it is on the records of the house now; certainly it appears in the records of the proceedings of the agriculture committee. If the hon, member really wants the information, I should be glad to place the facts on the record with reference to the leasing of this elevator, but I think it is a waste of time to do so. It has been done before, and certainly the matter was gone into very fully this year before the committee on agriculture.

Mr. DIEFENBAKER: All I ask the minister is, does he think it is justified.

Mr. MacKINNON (Edmonton West): The present lease does not expire for some time. I will not take advantage of the opportunity to go into the reasons for the lease at the time it was made, when there was no grain available and when it was realized that, in order to make a profit on storage, an elevator at the head of the lakes must have feeders on the prairies. I do not think it is necessary to go into that at the present time, but the fact is that the lease does not expire until July 31, 1944, and I am sure that in the meantime the board of grain commissioners and the government will give very careful consideration to the renewal of that lease in the light of circumstances as they may develop between now and that time.

Mr. CRERAR: When was the elevator first leased?

Mr. MacKINNON (Edmonton West): In 1933.

Mr. ROSS (Moose Jaw): I do not want to get into a debate on wheat at this time. Very often we get into these debates at the end of the session, and they take up a great deal of time. The whole matter was thoroughly discussed with regard to this elevator at Port Arthur in, and to the satisfaction of, the committee on agriculture. As the minister has said, the reason for leasing government elevators in this country has always been that the government, elevators did not have the feeder system of country elevators to feed them, with the result that in any year when there was not a great surplus of grain these elevators got practically nothing to store or handle. The consequence was a loss in the running of the elevators. We had all the figures with regard to all government internal [Mr. Diefenbaker.]

terminal elevators, and we also had figures on the record with regard to one elevator that could not even be leased. No one would even bid for it.

Mr. DONNELLY: This is the one.

Mr. ROSS (Moose Jaw): No. This last year or so you could not get a bid for one of the government elevators. No one would lease the thing on any terms because it was out of position for grain at the time. The hon. member for Lake Centre has made quite a speech on this question. As a matter of fact the government, through the board of grain commissioners, has done the proper thing in the past in leasing these elevators. There is, I will admit, an entirely different situation to-day. An elevator that could not make a cent a few years ago can now make money because it has a lot of grain in it and there is a tremendous surplus of wheat in the country. That, of course, will have to be taken into consideration when another lease is to be made, but until the end of the lease the government could not say, now that you are making some money we want to break the lease. That would not be a proper thing to do. Yet that is what is suggested with regard to this elevator. The other elevators about which the hon. member spoke were elevators belonging to the railway companies and the harbours board, not run by the board of grain commissioners like the internal storage elevators at Prince Rupert, Churchill and Fort William.

Mr. HANSON (York-Sunbury): Could the government not always expropriate the lease? That would imply compensation.

Mr. ROSS (Moose Jaw): Absolutely.

Mr. HANSON (York-Sunbury): That would be an equitable thing to do, if it were considered good policy to do it.

Mr. ROSS (Moose Jaw): Would you not have to pay compensation on equitable grounds?

Mr. HANSON (York-Sunbury): You would have to pay compensation. I would not attempt now to state the principle.

Mr. ROSS (Moose Jaw): Where would the government be ahead?

Mr. HANSON (York-Sunbury): I think in the long run they would be ahead under present conditions.

Mr. CASTLEDEN: What revenue did the government receive from the other elevators it owns and operated last year?

Mr. MacKINNON (Edmonton West): The revenues were as follows for 1940-41:

	Revenue	Deficit
Moose Jaw	\$202,901 26	
Saskatoon	223,121 16	
Calgary		
Edmonton		
Prince Rupert		\$ 2,724 83
Lethbridge		22,757 32

Mr. HANSON (York-Sunbury): Were those gross revenues or net revenues?

Mr. MacKINNON (Edmonton West): These are the net earnings or net loss in each case.

Mr. HANSON (York-Sunbury): What was the position with reference to Prescott?

Mr. MacKINNON (Edmonton West): Prescott, also Halifax and Vancouver, are under the national harbours board.

Mr. DOUGLAS (Weyburn): I do not want to go over what was argued before the agriculture committee, but it seems to me that all the arguments I heard with reference to the operating of these elevators, the handling of wheat by the wheat board, the disposal of cash wheat and the taking of options showed that the ordinary storage rates of normal times, when elevators were filled for only part of the year, are no longer satisfactory rates now that elevators are filled to capacity for almost twelve months in the year. The rates are much too high. In my opinion that was shown again and again in the evidence before the committee on agriculture.

Mr. MacKINNON (Edmonton West): It is worthy of consideration at least.

Mr. DOUGLAS (Weyburn): Has the board of grain commissioners given any consideration to reducing these rates, and, if so, have they come to any conclusion?

Mr. DONNELLY: For years I have contended that storage rates for wheat have been too high. In 1940 they were one cent a month, one-thirtieth of a cent a day. At that time the Liberals of Saskatchewan held a number of meetings, and we decided to present our case to the board of grain commissioners, asking them to cut the rate to one-sixtieth of a cent a day. The board met about July 3 or 4 and considered the representation we had made. They decided to let the matter stand for a while and to meet later. They met later and at the end of the month published a statement in the newspapers saying they had presentations from the line elevators and from the Saskatchewan pool, the Manitoba pool and the Alberta pool. asking that the rate of one-thirtieth of a cent a day remain. They also said presentations had been made from some western members asking that the rate be cut to one-sixtieth of a cent a day, and, they said, taking everything into consideration and viewing it from every angle, they had decided to cut the rate to one forty-fifth of a cent a day. That is when that was done.

The setting of the storage rate is in the hands of the board of grain commissioners. They set the maximum rate that any elevator company can charge, but there is nothing to prevent any elevator company from cutting the rate as low as they like. In western Canada we have three large farmer-owned elevator companies, the Saskatchewan pool, the Manitoba pool and the Alberta pool. There is nothing in the world to prevent these companies from cutting the rate to one onehundredth of a cent a day if they want to. They are the farmers' own companies; they are storing the farmers' own wheat, and if they think the storage rate is too high why do they not cut it? Then every other company operating in western Canada would have to do the same thing. Yet they say-in fact Mr. Weston himself said-that they thought the rate was not too high. In these times when the elevators are filled to the roof I think it is too high. We have a company like the Saskatchewan pool that started to operate with \$12,000,000 odd that they had taken from or that was subscribed by the farmers of western Canada, deductions as it is called, and \$6,000,000 odd taken from them for reserve, making between \$18,000,000 and \$19,000,000. Last year they had a profit of nearly \$3,000,000-

Mr. CASTLEDEN: Paid back to the farmer.

Mr. DONNELLY: No, it was not. I will tell the hon. member what was done with it. They made nearly \$3,000,000, between 14 and 15 per cent interest on their money, and this is what they did with some of it. They decided to set aside or pay as dividends \$900,000, but this is the way they paid it; they paid \$450,000 as a patronage dividend, half a cent a bushel to all the people who had put wheat in the elevator. They took \$450,000 to buy back their capital stock. Then they went to the widows and orphans; they went to the estates. They did not go to men who were living. I own some stock; they have taken some money from me and I cannot get a dollar back, though when I die my estate can get some of it. They went to the widows and orphans and said, "We will pay you 60 cents on the dollar for your stock." That was what they used the other \$450,000 for, to buy up this stock. In other words, they took \$900,000, of which they used \$450,000

Supply—Trade and Commerce

to pay patronage dividends and \$450,000 to buy up this capital stock at 60 cents on the dollar. Last year they paid only 50 cents on the dollar; the year before that, it was 40 cents. They are getting better; it is 60 cents now. But the man who put up the money for the capital stock, the man who made their existence possible, gets nothing at all unless he deals with them. That is the only way he can get anything; he must put his wheat in the elevator and be paid patronage dividends. I think in some twenty-five years time, if this thing goes on, all this capital stock will be bought up. Who will own it; who will have it?

Mr. WRIGHT: Those who have patronized the elevators.

Mr. DONNELLY: Four or five men at the head will own it. Something should be done with this, just as something was done in connection with the Grain Growers Grain company not so long ago. If this farmers' organization wants to cut the storage rate and say it is too high, that is all right; that is what should be done.

Mr. GOLDING: And the rest will have to follow.

Mr. DONNELLY: Yes.

The CHAIRMAN: I should like to point out to the committee that the details of this item are given on page 202 of the estimates. I did not know how far this discussion would go when I allowed it to begin, but it is now very far afield from the matter before the committee. At page 202 hon. members will find the expenses covered by this item. Under the rules we should discuss only these particulars.

Mr. DOUGLAS (Weyburn): I submit with all respect, Mr. Chairman, that it is rather late to make that discovery. The hon. member for Wood Mountain has been allowed to libel an organization whose shoe-laces he is unworthy to unloose.

The CHAIRMAN: There is a saying, "better late than never", and I must determine where to draw the line. In my opinion it is here and now that it should be drawn.

Mr. WRIGHT: The hon. member for Wood Mountain has made a deliberate misrepresentation of the men who are at the head of one of the largest organizations in western Canada.

The CHAIRMAN: The remark just made by the hon. gentleman shows that if the discussion were allowed to continue it would

[Mr. Donnelly.]

develop into a general discussion of wheat conditions, elevator conditions and a number of other questions quite foreign to the item now before the committee.

Mr. DONNELLY: I object to the statement that I deliberately misrepresented the position.

The CHAIRMAN: I did not hear that.

Mr. DOUGLAS (Weyburn): It is true.

The CHAIRMAN: Did the hon. gentleman say that the hon. member for Wood Mountain had deliberately misrepresented the facts?

Mr. WRIGHT: Yes, Mr. Chairman; I did make that statement.

The CHAIRMAN: If the hon. gentleman made it, I did not hear it. Will he please withdraw it?

Mr. JOHNSTON (Bow River): He will prove it if you give him a chance.

The CHAIRMAN: I must rule that the hon. gentleman must withdraw the statement.

Mr. WRIGHT: I have no alternative, but if you give me the time I can prove it.

The CHAIRMAN: That is not enough. Will the hon. gentleman withdraw the statement?

Mr. WRIGHT: I will withdraw the word "deliberately".

Mr. MacKINNON (Edmonton West): Mr. Chairman, I saw this developing and did my very best to head it off. I should like to get back to the item, which stood until after eight o'clock in order that we might bring down some information on one point. There has been no objection to giving all the information which has been requested, and we have tried to make our answers as complete as possible.

Mr. DOUGLAS (Weyburn): I asked the minister a question before we got around to allowing the hon. member for Wood Mountain to hide behind the skirts—

The CHAIRMAN: Order. Any question must be limited to the items of expense detailed on page 202.

Mr. DOUGLAS (Weyburn): That is correct; that is what I am asking, whether any consideration has been given by the board of grain commissioners to the question of reducing storage rates, in view of the fact that these terminal elevators are filled during the greater part of the year.

Mr. DONNELLY: The hon. member for Weyburn says I have been hiding behind the Chair in order to get away with something. I ask him to withdraw.

The CHAIRMAN: Is that the statement that was made?

Mr. DOUGLAS (Weyburn): I could not hear the hon. member for Wood Mountain.

The CHAIRMAN: Will the hon. gentleman repeat the statement he made?

Mr. DOUGLAS (Weyburn): Which statement, Mr. Chairman?

The CHAIRMAN: The statement which he just made.

Mr. DONNELLY: The hon. member for Weyburn said I was hiding behind the Chair.

Mr. MARTIN: No, he did not; he said the hon. member for Wood Mountain was hiding behind your skirts, Mr. Chairman.

The CHAIRMAN: The point of order is raised that the hon. member for Weyburn stated that the hon. member for Wood Mountain was hiding behind the Chair. Is that correct, or is it not?

Mr. DOUGLAS (Weyburn): That is not correct. The statement I made was that I was asking a question just before the hon. member for Wood Mountain sought to hide behind the skirts of the wheat pool on this question of storage rates.

The CHAIRMAN: Even that is offensive, and I ask that it be withdrawn.

Some hon. MEMBERS: Oh, oh.

Mr. DOUGLAS (Weyburn): Then I will ask the question. Has the board of grain commissioners given any consideration to the possibility of reducing these storage rates, particularly in the case of these terminal elevators which are full during the greater part of the year?

Mr. MacKINNON (Edmonton West): Last year it was thought advisable to increase to a great extent the elevator storage space at the head of the lakes, and arrangements were made for the construction of extra storage capacity to the extent of 50,000,000 bushels. In order to get the elevator companies to construct that storage space, rates were frozen for two years. The present rates, under agreement, are to continue until July, 1943.

Mr. HANSON (York-Sunbury): The minister said the rates were frozen. Is that a correct statement? Is it quite accurate to say they were frozen, or is it a maximum rate?

Mr. ROSS (Moose Jaw): A maximum rate.

Supply-Trade and Commerce

Mr. HANSON (York-Sunbury): That is quite different. I will admit that quite probably the fixing of a maximum rate had the effect of freezing it, but it is not quite accurate to say rates were frozen. Does the minister not think the time has come when the rates should be revised, now that all these lean-to's have been paid for out of depreciation, or will be paid for this year, and the cream will begin to appear in the can in pretty substantial measure?

Mr. ROSS (Moose Jaw): For the Minister of Finance.

Mr. HANSON (York-Sunbury): I admit that the country is going to get a good deal of it back and that is a saving feature of the whole proposition. But it all comes out of the farmer in the end, and I think the time has come when the whole position should be reviewed. I do not know enough about the matter to say whether or not the maximum is too high, but that is the representation I have heard frequently.

Mr. MacKINNON (Edmonton West): I shall be glad to discuss it with the officials.

Mr. DIEFENBAKER: In connection with this matter of rates I think the return to which I referred a short time ago tells the story very clearly. It refers to the rental of various elevators to which I have made reference.

The CHAIRMAN: Order. I do not believe the question of rates can be dealt with now. These rates are under the control of the grain commission and there is nothing before the committee in relation thereto. This item covers an amount of \$373,002, the details of which are on page 202. Nothing therein is capable of justifying a discussion on elevator rates, whether such rates are adequate or unreasonable. These rates are fixed by the grain commissioners.

Mr. HANSON (York-Sunbury): With all due respect, the grain rates, as I understand it, are fixed by the board of grain commissioners. That is part of their prerogative. Therefore the fixing of rates is germane to any discussion in connection with the operation of the grain act. Surely there is no doubt about that. I would ask you, Mr. Chairman, to be good enough to review your decision. I believe I am right in what I say; otherwise I would not rise.

The CHAIRMAN: If the discussion is to be limited, I am willing to allow some latitude, particularly in view of the rapidity with which we disposed of several items. But I am limited, however, under standing order 58 (2).

Supply—Trade and Commerce

Mr. DIEFENBAKER: Mr. Chairman, possibly from this angle you might permit it to be discussed, having regard to the expenditures referred to at page 202 of the estimates, and made by the Canadian government elevators. If the government had made the same expenditures in the other elevators it owns, then there would have been a very large saving which would have been passed back to the farmers of Canada.

So that in that connection I think it is proper for me to deal with the record in so far as these other companies are concerned. Two of the elevators with which I first deal are in Vancouver, namely No. 1 and No. 1 annex. They are rented by the government to Pacific Elevators Limited. In each of the years 1940 and 1941 the total rental was \$92,460 a year. That is what the government got for the rental of those elevators. This company was paid storage, mainly by the government, for the season 1940-41 of \$388,310.06. In other words it was paid almost \$300,000 more for the storage of government wheat than the government was paid for the rental of the place.

Mr. HOWE: Is my hon. friend suggesting that the \$300,000 was profit?

Mr. DIEFENBAKER: No. The record is shown at page 202—just what it cost to operate these elevators. This is just the point I am making. The figures are set out for all the Canadian government elevators, including equipment. There are total expenditures. The estimated expenditures for the year 1942-43 are only \$373,002.

Mr. HOWE: But the hon. member is comparing an interior elevator with a port terminal elevator, and they are totally different.

Mr. GOLDING: I suggest the hon. member ought to be fair with the committee, because this matter was all threshed out in the committee on agriculture, and it does not come under this item at all.

Mr. DIEFENBAKER: No, it was not.

Mr. FAIR: This seems to be the other half of the big stick we had in the committee on agriculture. I do not think it should be allowed. If the grain trade is allowed to have its mouthpiece here, then certainly the wheat pools ought to have their mouthpiece, too. No one has any right to let the hon. member for Wood Mountain proceed as he did to-night without having some representative of the pools to come back and tell him where he is wrong. Some people have a habit of burying their mistakes, but the one made by the hon. member for Wood Mountain cannot be buried; it is incorrect.

The CHAIRMAN: The application of standing order 58 (2), would not allow this discussion. I have given some latitude, hoping that this debate would not develop into a general discussion of the grain elevator situation in western Canada, or the administration of the Canada Grain Act by the grain board. If objection is taken I must rule that a discussion of elevator rates under item 350 is out of order.

Mr. DIEFENBAKER: But I am not discussing rates. I am discussing the unfairness and impropriety of the government of Canada turning over government facilities owned by the people of Canada to private individuals on terms such as I have indicated.

The CHAIRMAN: The minister has already answered that the government was bound by leases, and that the matter would be considered at the expiration of the said leases. It is not proper to repeat the same argument. The minister has stated his position. The proper way of testing the sentiment of the committee is by a division.

Mr. DIEFENBAKER: With all due deference to you, Mr. Chairman, I have not dealt with this case before. The case to which the minister referred was the Port Arthur elevator. And in view of his statement on that I passed on to deal with two or three other instances, equally flagrant, which have not yet been dealt with.

Mr. MacKINNON (Edmonton West): But they do not come under this item.

Mr. DIEFENBAKER: They come under the principle, and that is what I am talking about—nothing else.

Mr. HOWE: My hon. friend can discuss elevators when we reach the estimate for harbour boards.

Mr. DONNELLY: What profits are made out of the operating elevators at Edmonton and Calgary, as compared with the \$92,460 they got from rent for the Vancouver elevator?

Mr. NICHOLSON: The minister told us that a while ago.

Mr. DONNELLY: Tell us again, then.

Mr. MacINNIS: That is repetition.

Mr. MacKINNON (Edmonton West): It is on the record.

Mr. DONNELLY: How much is it?

[The Chairman.]

Supply—Trade and Commerce

Mr. NICHOLSON: The minister gave that information earlier.

Mr. CASTLEDEN: How is it that the elevator at Saskatoon with a capacity of 5,500,000 bushels can turn in a revenue of \$223,121, whereas the one at Calgary with a capacity of only 2,500,000 bushels can turn in only one-tenth of that amount, or about \$22,000. Is there something in the administration which will explain that?

Mr. CRERAR: That is a brilliant question. It depends on the amount of grain you put in.

Mr. MacKINNON (Edmonton West): It depends entirely on the amount of grain put through the elevator.

Mr. CASTLEDEN: There is no shortage of grain. We are short of space in this country.

Mr. HOWE: Perhaps as an old elevator man I can explain that. There are two elements of earning power in an elevator. One is the handling or turn-over of the elevator, and the other is the storage. In some years there is a big turn-over, and then the bulk of the earnings come from that turn-over. If there is a small handling but a continuous storage, as there is at the present time, the bulk of earnings come from storage. The Saskatoon elevator would have handling charges of five and a half million bushels, plus storage charges. That is, the large storage capacity would swell both elements. On the other hand, the Calgary elevator would have almost the same operating charges as the bigger elevator and would have very much smaller handling on account of the smaller storage. You have to off-set your operating cost against earnings before you get the net.

Item agreed to.

National research council.

360. Salaries and other expenses of the national research council, \$857,743.

Mr. MacKINNON (Edmonton West): I would reply to the question asked by the hon. member for Davenport (Mr. MacNicol) this afternoon by saying that the national research council was engaged on certain preliminary investigations in connection with the production of magnesium metal before the Dominion Magnesium company came into the picture. None of the work up to that time resulted in a patent. Subsequently, Dominion Magnesium entered into an agreement with the council to have the work undertaken on its behalf and its cost, plus 50 per cent overhead on the actual cost. Certain patents then developed. If these prove to be as valuable as is expected, a further sum of \$30,000 will be paid by the company under their agreement with the council.

Mr. MacNICOL: I wish to know if all the preliminary expenses, of which there would be many, because there was a lot of travelling, and perhaps a heavy purchase of materials, were connected with the producing of that process which afterwards was patented by employees who had been in the government service. What I wish to know is, what did the government get out of the expenditure of time and money by these gentlemen who were engaged in the government service if they took with them—I do not know that they did; I am asking for information—any discoveries they made while they were in the government service?

Mr. MacKINNON (Edmonton West): I think I have pretty well covered in my statement the hon. gentleman's question. The entire outlay, plus 50 per cent, was reimbursed to the national research council.

Mr. MacNICOL: By whom?

Mr. MacKINNON (Edmonton West): By the company, Dominion Magnesium.

Mr. MacNICOL: Where did they get the money? They are not producing and may not be for another year.

Mr. MacKINNON (Edmonton West): Furthermore, the contribution of the national research council has been largely to assist in the development of a new process for the production of magnesium metal and in the establishment of a new industry. It is a war development.

Mr. DOUGLAS (Weyburn): Does the minister mean that the national research council may perfect a certain technique for producing a commodity like magnesium metal and then sell it to a private industry? Is that what is done?

Mr. MacKINNON (Edmonton West): That is exactly what has been done in this case. The national research council have carried their experiments forward and have made an arrangement with Dominion Magnesium, which is taking over further developments and paying the whole cost of the work that has been done, plus a sum of money by way of compensation provided the development turns out as expected.

Mr. DOUGLAS (Weyburn): It seems strange to me that the people of Canada should spend money on experiments to perfect a certain technique, which, when perfected, is turned over to private industry. If it had been a failure and nothing had come of it, the people of Canada would have been out the money, but if the experiments succeed, the process is turned over to private industry to develop. Does the dominion government never patent any of these discoveries in its own name?

Mr. MacKINNON (Edmonton West): I am advised that if the work is done at public cost, the national research council holds the patent in all cases, but if it is done at the cost of an industry, the patent belongs to that industry subject to any payment that is agreed upon to be made to the research council.

Mr. MacNICOL: It is magnesium metal, and not magnesium, that we are talking about, because magnesium, which is used in flares and explosives, has been produced for years and years, and magnesium metal is something altogether different. Does the minister know whether these gentlemen who were working in the national research laboratories, in the government service, and who evolved some process for making magnesium metal, are now planning to produce magnesium metal?

Mr. MacKINNON (Edmonton West): I am afraid I cannot answer that.

Mr. WRIGHT: I wish to protest against the procedure which has been followed in the development of magnesium metal. Here we had a discovery made in our own research laboratories, and once they knew they had something, the process was turned over to this private company to develop it commercially, instead of the government building a pilot plant and developing it commercially. This private company is now operating in a plant which has been built by the government at a cost of \$3,500,000. The private company holds the patent, and any further improvements that are made in the process all go to the benefit of this private company, Dominion Magnesium, in whose name the patent is taken out. The private company owns the patent, according to a return which was tabled in the house the other day in reply to questions I had asked. It seems to me that after we have developed this process in our own laboratories, the least the government could have done was to build a pilot plant and take out a patent instead of turning the whole process over to a private company to develop.

I do not know whether the government has purchased the quarries since the return was tabled, but in the return which was brought down it was stated in a letter that these quarries belonged to Dominion Magnesium company rather than to the government. Yet we have built a \$3,500,000 plant, and the only places where we can get the rock to use in

[Mr. T. C. Douglas.]

this plant are out of quarries that are apparently owned by Dominion Magnesium—unless, as I say, the government has purchased the quarries since the return was tabled. There is something seriously wrong with a situation like that.

Mr. HOWE: The only thing wrong is the information that is being used here to-night by my hon. friend. I happen to be familiar with the situation because I have been handling the dealings with Dominion Magnesium. Our solicitors examined the position very carefully and the facts, as explained to me, are that our research laboratories had been studying for many years the thermal process for producing magnesium metal. There were several thermal processes for producing magnesium metal. One was developed in Germany before the war; another process was tested out in Britain, and still another process was used in the United States government plant at Permanante on which many millions of dollars have been expended. The latter is using still another thermal process, and has not yet produced magnesium metal there. While all this was going on our own laboratories were studying the problem from the days when General McNaughton was the active head of the research council. He was very much interested in developing a thermal process of his own. He carried on experiments with his normal appropiations and got to the point where money was going to be required to test out the process, in order to determine whether his process was better than the others. He went to a group of mining men and suggested that they should put up the money. They did so. It amounted to some \$60,000, as I remember it, and these men built a pilot plant. They brought in experts from the United States with practical knowledge of similar processes. A famous firm of consulting engineers from New York, specialists in zinc smelting, were called in, and the group built a full-scale model plant and brought the process up to where they believed they had something to patent. The group then took out patents under an agreement with the research laboratories by which they paid back to the research laboratories all the cost of the experiments. Dominion Magnesium then owned the patent. We decided, after a very careful examination, that we must make magnesium metal, and preliminary negotiations were undertaken to build a plant using the Dow chemical process. We found that the capital costs, and the time of construction, were to exceed our estimate. After we got the project well launched, we decided that we had better have another look at the thermal process, the so-called Pidgeon

process. By that time the data on a considerable run on the pilot model was available, and we decided to drop the Dow process in favour of the Pidgeon thermal process.

Mr. MacNICOL: Which pilot model?

Mr. HOWE: The pilot model built by Dominion Magnesium.

Mr. MacNICOL: For which project?

Mr. HOWE: The Pidgeon project, the local laboratory process.

Mr. MacNICOL: They had not done anything with the Dow process, had they?

Mr. HOWE: That is, of course, a wellestablished process.

Mr. MacNICOL: I know.

Mr. HOWE: We decided we wanted to build a plant using the Pidgeon process. We called in a group from Dominion Magnesium, Limited. We told them, "We want your pro-cess. We are going to build a government plant. We want your help and the technical experience that you have gained." The group said, "What about terms?" We simply said, "We are not going to pay you a royalty. We want your process. Also we want you to take this job on at a dollar a year. We will pay your out-of-pocket expenses, and we want you to contribute your patents. If the fullscale plant turns out as well as your pilot plant, you will have a proven process. That must be your reward. We will pay you nothing." We proceeded to build the plant under the technical supervision of the engineers of Dominion Magnesium, Limited. The quarry is ours; the plant is ours, and the land it stands on is ours. The plant was not built by the Dominion Magnesium company; it was built by a crown company the name of which I am not sure enough of to state here.

Mr. McCANN: Wartime Metals.

Mr. HOWE: Yes, I think it is Wartime Metals. As I say, as regards profiting from the patent as far as any Canadian operations are concerned, no profit will accrue to Dominion Magnesium, Limited. However, while this was going on, the United States decided that the process would be used there. I am informed that the Permanante plant is being changed over to the Pidgeon process. I think one or two other plants also are being built by the Pidgeon process, and I assume, while I am not familiar with the facts, that Dominion Magnesium, Limited will obtain royalties from plants being built in the United States. Supply—Trade and Commerce

Mr. WRIGHT: Would the government own all the quarries?

Mr. HOWE: Yes.

Mr. WRIGHT: In a letter in a return which was tabled under my name, Dominion Magnesium, Limited refers to "our" quarry, and I took it from the statement there that they, rather than the government, owned the quarry.

Mr. HOWE: I can assure my hon. friend that the quarries, everything in the area of the development, and as far as I know, everything that is being used to make magnesium metal in Canada is owned by the crown to-day.

Mr. WRIGHT: What is the agreement with the government with regard to the disposition of the property at the conclusion of the war?

Mr. HOWE: There is no agreement. The property belongs to the crown.

Mr. WRIGHT: That is not according to the letter which was tabled in my name.

Mr. HOWE: I think the agreement has been tabled. If not, I will table it to-morrow morning. I will make inquiries and table it before the end of the session.

Mr. WRIGHT: It was in this agreement that if the government disposed of the property, Dominion Magnesium, Limited, would have the first chance to buy it.

Mr. HOWE: That may be so. I daresay it is.

Mr. WRIGHT: That is definitely in the agreement.

Mr. HOWE: I think that is true.

Mr. MacNICOL: By next year would the minister give us the amount of money which was returned to the national research council? I have forgotten how much the minister of munitions said Dominion Magnesium had returned. Also, I should like to know what the government calculated had been spent by the national research council on its part in developing the process.

Mr. NICHOLSON: This afternoon we passed an item to provide \$22,950,000 for wheat acreage reduction. Last year we spent \$35,-000,000 for wheat acreage reduction. That is, a total of \$57,000,000 was expended for not growing wheat. Could the minister make some statement as to the research work which

Supply-Trade and Commerce

has been carried on by the national research council with a view to finding other uses to which wheat may be put?

Mr. MacKINNON (Edmonton West): Work at the national research council is being continued on a limited scale on earlier projects concerned with the nature of quality. This is being carried on in the western laboratories, and only to an extent that will preserve valuable material developed in the past. Second, studies in the fermentation of wheat and other starchy agricultural products for the production of chemicals useful in war industries, that is, anti-freeze, solvents, and intermediates for the production of synthetic rubber. Greatest emphasis is being placed on the last. Development of mechanical methods for the separation of starch and gluten in wheat by mechanical means: (a) with the object of developing commercially practicable methods for the extraction of relatively starchfree gluten suitable for the manufacture of plastics; work is under way on plasticization of these products; (b) the preparation of starches of suitable purity for various industrial uses, to replace cornstarch, which has been imported in part in the past.

This is just a brief reference to the work which is being carried on by the national research council on the subject mentioned by the hon. member.

Mr. NICHOLSON: Could the minister give any indication as to the quantities of wheat which might be used each year in connection with the developments that he has mentioned?

Mr. MacKINNON (Edmonton West): The studies have not proceeded far enough to enable us to arrive at any accurate estimate, or even an approximate estimate.

Mr. NICHOLSON: Could the minister give some idea of the amount of money that is being spent on this particular type of research work?

Mr. MacKINNON (Edmonton West): I do not think those figures are available here to-night. They can be easily obtained. I shall be glad to obtain them for the hon. gentleman.

Mr. NICHOLSON: It seems that if we are spending \$57,000,000 without any idea of solving this problem, a good deal might be spent in connection with research work along the lines the minister has suggested here.

Mr. FAIR: Is the research council still investigating the possibilities of the Pogue [Mr. Nicholson.] carburettor, and, if so, what progress has been made since the last statement was made to the house?

Mr. MacKINNON (Edmonton West): I am advised that it is not under investigation at the present time.

Mr. ROSS (St. Paul's): What is the revenue of the national research council?

Mr. MacKINNON (Edmonton West): The total revenue is \$1,244,508.74.

Mr. QUELCH: Is it not true that a plant has been opened at Sarnia for the purpose of making rubber from wheat? I understood one of the ministers to say that the other night.

Mr. HOWE: The government is building a plant at Sarnia to make synthetic rubber. The base is a petroleum base, but a certain percentage of alcohol is also used. It is a process which uses both petroleum, and alcohol, made from wheat or some other suitable product. Of course, alcohol is made from many products, but wheat is about the cheapest source of industrial alcohol to-day, though in normal times molasses is a cheaper raw product. We expect to use the product of two or three distilleries, together with certain components of petroleum, as the base of synthetic rubber.

Mr. QUELCH: How much wheat will be used in a year when the plant is in full production?

Mr. HOWE: So long as wheat is used as a source of alcohol, it promises to use something less than 10,000,000 bushels a year.

Mr. CASTLEDEN: I have received inquiries with regard to the use of milkweed and dandelions. Does the research laboratory do anything in connection with developing synthetic rubber from these plants? One inquiry came also from the coast with regard to the use of fish. This correspondent maintains that fish was used in a process out there some years ago, and he wants to know whether the government knows anything about it.

Mr. MacKINNON (Edmonton West): We have no information in that respect, regarding fish, but so far as milkweed is concerned, the national research council has given a small grant for experimental work.

Mr. CASTLEDEN: What about dandelions?

Mr. MacKINNON (Edmonton West): Not dandelions but milkweed.

Mr. CASTLEDEN: Nothing has been done in connection with dandelions?

Mr. MacKINNON (Edmonton West): No.

Mr. NOSEWORTHY: To whom is the grant given, and where is that experiment being carried on?

Mr. MacKINNON (Edmonton West): The grant was given to Professor Duff of the university of Toronto.

Mr. FAIR: Is the research council doing any work in connection with carburettors in the saving of gasoline?

Mr. MacKINNON (Edmonton West): I am not sure.

Mr. WRIGHT: The minister stated that the company which developed the Pidgeon process had paid for the development of that process itself. I have here the minutes of the privy council, and I find:

That the company will build the plant at cost and without profit but will be paid the sum of \$41,500 to cover its costs heretofore incurred in the development of the Pidgeon process. Included in the cost (but not in the \$41,500 above-mentioned) will be certain commitments and sums already incurred or paid by the company for the purposes of construction of a magnesium plant, not exceeding however the sum of \$12,000; the benefits of such commitments and expenditures shall be used for the construction of the initial plant.

It appears from this that the company are to be reimbursed for their expenditures in connection with the development of the process.

Mr. HOWE: I have forgotten the details, but I think that applies to a certain pilot plant which was built to develop the process actually being used in our plant. I think we paid for building a full-scale unit, using tubes and furnaces of the size we intended to install in the new plant. The \$41,000 certainly does not cover all costs incurred by the company in developing the process.

Item agreed to.

DEPARTMENT OF MINES AND RESOURCES

Mines and geology branch.

123. Branch administration, \$29,600.

Mr. CASTLEDEN: Is the motor car allowance still granted to ministers?

Mr. CRERAR: If the hon. member will look at the top of page 20 of the estimates he will find, "Minister of Mines and Resources salary and motor car allowance, \$12,000".

Mr. CASTLEDEN: There is no change?

Mr. CRERAR: No.

Mr. FRASER (Peterborough West): For a year or more I believe the department has been trying to get aluminum out of nepheline. Does the minister know anything about this? Supply-Mines and Resources

Mr. CRERAR: I am advised that the work is being carried on with some little promise, but it has not yet reached the stage where one can say there are any direct results.

Item agreed to.

Bureau of geology and topography.

128. Geological surveys, \$274,500.

Mr. NICHOLSON: What type of geological surveys is the department providing for?

Mr. CRERAR: There are thirty-eight or forty parties out on geological surveys looking for oil, and some for strategic minerals. In the latter category I include base metals.

Mr. FRASER (Peterborough West): What qualifications must one have to go out on these surveys?

Mr. CRERAR: Geological parties are headed by trained geologists, men who have standing and experience. We aim to provide in each of these parties students from the universities in Canada who are taking courses in either geology or mining engineering, and below these are ordinary labourers who can do that part of the work.

Mr. FRASER (Peterborough West): They are school and college boys too, are they?

Mr. CRERAR: I would not say they are in all cases. I am told that in some cases they are student assistants. Perhaps I might qualify my reply. The information I have is that these parties are made up practically altogether of students taking geology or mining engineering, and other students.

Mr. NICHOLSON: Does the government receive any revenue as a result of these surveys?

Mr. CRERAR: I would refer my hon. friend and other hon. members to the annual report of the department. On page 8 of the report for the year ended March 31, 1941, will be found a summary of the revenue from each branch, and the expenditures. The revenue for the whole Department of Mines and Resources for the fiscal year ended March 31, 1941, was \$953,081.11. For the year ended March 31, last, the revenue was \$1,065,056.53. For the year ended March 31, 1941, the revenue from the mines and geology branch was \$13,385.62.

Mr. NICHOLSON: The revenue represents a very small percentage of the expenditure. If the government is going to spend these large sums year after year, the time has come that we should consider getting some revenue. When we go to the expense of sending parties out to find where oil might

be located, the logical thing would be to develop some of these fields and obtain some revenue. The same thing applies to minerals. With an expenditure of over a million dollars and the revenue mentioned, the picture is not satisfactory.

Mr. CRERAR: My hon. friend will realize that the resources are not under federal control. In Alberta, for example, we are sending geological parties to search for oil formations and gather geological data as to the oil possibilities. The same is true of many other minerals. It is a service that has been rendered from the beginning, just the same as land surveys in western Canada. In the early years of that part of Canada survey parties were sent out at considerable public expense to survey the country into townships and sections, but it was never made a charge against the land in the way my hon. friend suggests might be done here. In these uncertain times and the days that lie ahead, possibly some method may be found of doing that. But at present this department-speaking more seriously-is devoted to sending out geological parties to study geological formations as a lead for prospectors. A good deal of expense is devoted to laboratory work in Ottawa in testing ores and minerals and that sort of thing. I might put it in a more practical way by saying that the mineral production in Canada last year was about \$560,000,000. If governments in the past had not spent money in acquiring geological data as to the mineral possibilities of the country, I think we would not have had more than a small fraction of the development that has taken place.

Mr. NICHOLSON: But if the government had developed some of these valuable deposits, when one thinks of the large fortunes made by some of the oil and mining companies it seems to me there is a tremendous source of revenue available in that field for the minister's department.

Mr. CRERAR: I can assure my hon. friend that much more money has been lost in developing mines and oil fields than has been made in developing them. I can also say definitely that as long as I am Minister of Mines and Resources in Canada I shall never recommend that the government go into the business of developing mines. It may be that when my hon. friends come into power, if they ever reach that golden goal, they can carry on such experiments. But I will make the prediction right now that if they were to come into power inside of five years, they would not embark on that kind of experiment. Mr. JOHNSTON (Bow River): I do not know that I can agree with the minister's statement that there has never been any money made in oil when I think of Standard Oil and similar companies.

An hon. MEMBER: And International Nickel.

Mr. JOHNSTON (Bow River): Under this item has any money been spent in connection with the development of tar sands in northern Alberta?

Mr. CRERAR: Any money spent at the present time is, I understand, being taken out of the war appropriation, with a view to finding oil, of which as hon. members know there is considerable scarcity. If we go back a number of years, perhaps twenty, about \$200,000 have been spent since then on what might be called experimental work on the possibilities of these tar sands, not so much from the oil point of view as from the point of view of getting information as to the usefulness of the tar as road material.

Mr. JOHNSTON (Bow River): That is pretty well established.

Mr. CRERAR: Yes. Some was taken out and a road paved at Jasper, and I think some pavement was laid in Edmonton.

Mr. MacNICOL: Yes, on the road to Fort Saskatchewan.

Mr. CRERAR: That was experimental. Apart from that the federal government has not spent money through the Department of Mines and Resources in developing the oil possibilities of these sands.

Mr. JOHNSTON (Bow River): Does this exploration work come under the minister's department?

Mr. CRERAR: It is under the mines and geology branch under the vote we are now considering.

Mr. CASTLEDEN: Supposing in the course of a survey one of the minister's parties comes across a fine deposit of magnesium rock or aluminum or nickel what is done with that information? How is it made available to the public and these beneficiaries who want to lose so much money in developing it?

Mr. CRERAR: It is made available through the reports of the geologist in charge of the party. He reports to the department.

Mr. CASTLEDEN: Are the departmental reports available periodically?

Mr. CRERAR: Certainly.

[Mr. Nicholson.]

Mr. NOSEWORTHY: At page 109 of the estimates there is reference to a fuels division and to investigators. Is anything being done at the present time by way of experiments in the low temperature distillation of coal, in view of the gas shortage in western Ontario?

Mr. CRERAR: If I understood my hon. friend aright, he was inquiring whether or not experimental work was being carried on in the production of oil from coal?

Mr. NOSEWORTHY: The low temperature distillation of coal for oil and other distillates.

Mr. CRERAR: I am advised that the department has carried on very little experimental work for the purpose of getting oil.

Item agreed to.

Bureau of geology and topography.

130. Drafting and map reproduction, \$115,600.

Mr. MacNICOL: The map branch of the department certainly deserves the unstinted praise not only of this house but of the whole country for the very excellent maps it has been getting out, particularly those which are used so much by the air force and the commercial air companies. I wonder just how they could get along to-day without these wonderful maps, and I for one feel it my duty to compliment the department upon having such an efficient staff of map cartographers.

Item agreed to.

Lands, parks and forests branch.

132. Branch administration, \$21,250.

Mr. McILRAITH: I should like to raise one point in connection with this item. The prevailing rate employees in this branch of the service are not given annual holidays, though the prevailing rate employees in the mines and geology branch are given these holidays. The answer usually given when this matter is raised is that it would increase the cost of personnel in the branch, which is contrary to policy at this time. With all deference I submit that this answer is quite unsound. I am quite sure that if the prevailing rate employees were given the usual two weeks holidays, they would more than make up for it during the rest of the year in the added work they would do. I also submit that it is quite unreasonable to have this anomalous position in the department, that employees in one branch do receive this benefit, while the same class of employees in another branch do not receive it. I hope the minister will take steps to make sure that these holidays are granted to employees of this class in future.

There is one other matter with respect to these men which I should like to mention now for the consideration of the minister; that is, the question of making available to all prevailing rate employees the benefits of the superannuation act. That is a somewhat more technical problem, but I think it should receive the attention of the minister.

Mr. CRERAR: I am glad the hon. member has raised these points, which will receive my earnest consideration.

Item agreed to.

Government of the Northwest Territories.

134. Eastern arctic expedition, \$47,885.

Mr. NOSEWORTHY: The details of this item appear on page 115. Would the minister tell us something of what is involved in connection with this eastern arctic expedition?

Mr. CRERAR: The eastern arctic expedition might be described in this way. The government have a good many services, such as police, meteorological, and health, in both the western and eastern arctic. The eastern arctic is serviced every year by an expedition on the steamship Nascopie, which is chartered under an arrangement with the Hudson Bay company, under which for certain remuneration they undertake to transport the people and the goods or materials we need to send in to the arctic. Very often people go in to stay for a few years, while others come out, and we make this arrangement because the government has no boat of its own and, if it had a boat, it would cost a great deal more than this arrangement costs. That is the explanation of this item.

Mr. CHURCH: The eastern arctic expedition had better be careful this summer, or they may be captured by the axis.

Mr. CASTLEDEN: I notice that last year there was an item of \$25,000 for chartering the boat, while apparently the department is not chartering one this year, though I see an item of \$11,000 for travelling expenses. What is the change in the arrangement?

Mr. CRERAR: There are higher costs of operation than in an ordinary year; more material and more people are being sent in, and consequently the volume of business the government requires to have done has increased considerably. That is the retson for the increase over an ordinary year.

Mr. CASTLEDEN: But the cost is less this year. Last year a boat was chartered for \$25,000, and there is no such item this year; there is just \$11,000 for travelling expenses.

44561-317

REVISED EDITION

Mr. CRERAR: Last year two years' freight was taken in; one year's reserve of freight and materials of all kinds was sent in, because it was thought that possibly the next year the boat might not be able to go in. That accounts for the extra expense last year, and is the reason for the reduction this year, though this year is costing more than in the years preceding last year. Last year two years' supplies went in, part of which was a reserve, which will be maintained.

Mr. CASTLEDEN: The department is not chartering a boat this year, then?

Mr. CRERAR: Certainly; the boat goes in this year.

Mr. CASTLEDEN: There is no item here to take care of the chartering of a boat.

Mr. CRERAR: It is included in the item of \$36,685, I think.

Mr. CASTLEDEN: There is an item of \$11,000 for travelling expenses, but no item for the chartering of a vessel, for which an amount of \$25,000 was charged last year.

Mr. CRERAR: It is simply a different way of presenting the figures. The freight cost is included in the \$36,000 item; the passenger costs are in the \$11,000.

Mr. CHURCH: Who compose this expedition to the arctic circle? By whom are they appointed? Last Saturday the hon. member for Témiscouata was nominating a gentleman to be governor general of the north pole, in the person of one of our members over here. What is this expeditionary force doing? Is it doing exploring work, or war work, or what kind of work does it do? What is the object of a vote like this at a time when the tax rate is so very high? Could any economy be effected by letting it wait until after the war? There is no trouble around the north pole or the arctic circle, and I suggest that the item be reduced to one dollar.

Mr. CRERAR: We can scarcely do that, because for many years we have maintained Royal Canadian Mounted Police posts in the arctic. There are hospitals at several points, with medical officers; and there are missionaries in the far north. This expedition simply takes in supplies for all these purposes. As I pointed out a moment ago, two years ago it took in two years' supplies so that there would be one in reserve. It would be quite impossible to meet the suggestion of the hon. member for Broadview; and I believe if he reflects, he will see that that is so.

Mr. MacNICOL: Does the government not have to send a boat up there to maintain its sovereignty over those arctic islands?

[Mr. Castleden.]

Mr. CRERAR: Yes; that is a very important point which might be mentioned. The maintenance of our police posts and other services in the arctic does make clear our sovereignty in that part of north America.

Item agreed to.

Dominion forest service.

138. Forest experiment stations, \$44,743.

Mr. ROSS (St. Paul's): Are we still carrying on reforestation, in view of the fact that we are using so much wood these days?

Mr. CRERAR: Under this vote much of the work of the forest experimental stations is carried on. That is experimental work, of course.

Mr. CASTLEDEN: Where are these experimental stations located?

Mr. CRERAR: There is one at Kananaskis, Alberta, one at Riding Mountain, Manitoba, one at Petawawa, Ontario—

Mr. MARTIN: Chalk River.

Mr. CRERAR: —the Acadia station, near Fredericton, and one at Valcartier.

Mr. CASTLEDEN: Is there one in British Columbia?

Mr. CRERAR: We have no forest experimental station in British Columbia.

Item agreed to.

Land registry.

141. Land registry, seed grain collections, administration of ordnance, admiralty, and public lands, \$52,950.

Mr. FAIR: Would the minister explain the seed grain collections under this item?

Mr. CRERAR: That is rather a doleful story, if it were considered in its entirety. Some of these advances go back for over fifty years, and, of course, the liens are not of much value. I might add that in some cases in past years provincial authorities have given assistance. Boards have been set up in Saskatchewan, Alberta and Manitoba which pass upon these seed grain arrears. Where they think there is no possibility of recovery, it is written off. We are writing them off continuously.

Mr. FAIR: Are amounts collected under this seed grain vote?

Mr. CRERAR: There are some collections being made, but not to any very great extent. It should be stated that these seed grain liens, as they were called, were a charge against the land which benefited from the seed

purchased. Consequently, when the owner of land later desires to sell, there is a cloud on the title until the lien can be cleared up. It cost very little to administer, and it is being gradually cleared up.

Mr. FAIR: What amounts were collected in the past year on those liens, and what total amount is owing under this heading?

Mr. CRERAR: The total amount outstanding under this heading is over \$6,000,000 in the three provinces. As I have said, some of that goes back over fifty years. A good deal of it was in 1914, and later on in the twenties. Collections last year were \$16,990.

Mr. FAIR: Does any financial benefit accrue to the dominion, or are administration costs greater than the amounts collected?

Mr. CRERAR: My hon. friend should not get the idea that this vote is associated wholly with seed grain.

Mr. FAIR: I was not suggesting that at all.

Mr. CRERAR: There are many other things. Perhaps I misunderstood my hon. friend.

Mr. FAIR: I was just wondering, because this seems to be just so much dead-wood. It is misleading, because I expect that this is included as an active asset in Canada. So far as I can see, it costs more to administer this particular branch than the government gets out of it each year. For my own information I was wondering whether the administration costs are greater than the collection in any one year?

Mr. CRERAR: Administration costs are very small. As a matter of fact, we are a few thousand dollars—I cannot say how many —ahead each year in what we collect as compared with administration expenses. It might be all right to be generous and say that we will forget about the whole thing. That is becoming a common attitude with respect to obligations these days. However, I do not think it is a good attitude, morally.

The suggestion made by the hon. member is one which might be considered, and consideration will be given to it.

Mr. FAIR: I hope the consideration will be fruitful, because consideration is not good enough. My suggestion that this be written off is a good one, because, so far as I can see, we are keeping a lot of help in nonessential work, when they might be doing something much better and more productive from a financial point of view.

Mr. CRERAR: There is nothing to that argument at all, because this work is done by one or two on the staff who have other addi-44561-317¹/₂

tional duties. This is only part of their duties. The expense is not as great, by some thousands of dollars, as the amount collected each year. Other functions come under this vote. There is, for instance, the conduct of a central office of record for lands owned or otherwise controlled by the Dominion of Canada. All the lands and properties of the dominion which are not in use are administered under this vote—admiralty lands, ordnance lands, dominion-owned public lands, timber and grazing on soldier settlement lands and on military reserves. There is also the adjustment of seed grain, fodder, and relief indebtedness and the issuing of letters patent.

Mr. CASTLEDEN: What is the item about admiralty?

Mr. CRERAR: That is admiralty lands.

Mr. FAIR: Is it the policy of the government to send out collectors each fall, or does the department just write to the farmers who are in debt to the government for seed grain?

Mr. CRERAR: We have no collectors going out, and during the difficult years we did not even send out reminders, but people who might be owing a debt of 40 or 50 or 100 dollars which stood registered against their land would write in to us to pay off the debt and get the cloud removed from their land. Of course, unless all the liens were to be written off en bloc, a service must be maintained in the department to look after the accounts.

Mr. FAIR: In what year were the last advances for seed grain made? Was it 1900, 1920, or what year?

Mr. CREERAR: I think it is almost twenty years since the last advances of this kind were made by the federal government.

Mr. MARSHALL: This is an item in which I have been particularly interested for a number of years past. I opened up a correspondence with the officials of the Department of Mines and Resources with reference to outstanding seed grain liens, and I am going to suggest to the minister that his officials in preparing the annual report for the department deal with this question of seed grain in order that we may have a clear and comprehensive picture of the situation. Seed grain advances in the past were a joint responsibility of the provincial and dominion governments, and I understood that an agreement had been reached between the two governments to cancel a large amount of the seed grain advances which were outstanding and that only those made in recent years stood on the books to the credit of the dominion government. If a part of the annual report were devoted to giving an account of seed grain advances, I believe members of the committee would be glad, and I certainly would, to get a clear picture of the situation as it was, say on March 31, 1942.

Mr. CRERAR: I shall be very glad to give consideration to that suggestion.

Item agreed to.

National parks bureau.

142. National parks and historic sites services, \$1,218,000.

Mr. CHURCH: I would call the attention of the minister to the lack of any adequate expenses by the dominion government over the past twenty years on national parks in Ontario. The government of Canada before and after confederation, made very large expenditures on the Rideau canal, the Trent canal, the Murray canal, linking up lake Simcoe, the Georgian bay, Muskoka, Parry Sound and on up to new Ontario into a great system of inland waterways over which the early explorers and settlers travelled in their canoes and, later on, in steamboats. The government of Canada also spent a large sum on railways and other forms of transport and on power development. Money has been spent by the dominion government on national parks in other provinces, but we in Ontario have received very little value out of all the expenditure, although I admit that the minister and those who preceded him have developed a splendid system of national parks across the country.

This vote also deals with historic sites. It is true that the dominion government has erected a tablet here and there in Ontario to commemorate some hero of the war of 1812, but in the Niagara district, all the way from lake Erie to lake Ontario, this work has been largely done by the government of Premier Hepburn of Ontario. That government has done a great deal of good work, especially in the Niagara district, in commemorating historic sites such as Fort George and Fort Mississauga. Ever since I entered this house in 1921 I have urged that money be spent in Ontario under this vote, but the government of Ontario have had to do it all. They even had to restore the home of William Lyon Mackenzie, below Queenston heights. The old province of Ontario needs some attention from this government in that regard. Many deputations have come to Ottawa urging that this work be done.

I see that this vote is increased by over \$73,000, and from the details on page 119 I notice that the staff starts with a controller, [Mr. Marshall.] then an assistant controller, a superintendent, an executive assistant, a superintendent of historic sites, an inspector of national parks, clerks, stenographers, park superintendents, park wardens, electrician foreman, junior engineers, sanitary inspector, motion-picture projectionist, caretakers, cleaners and helpers, park medical officers, and then more on the next page. Altogether there is an increase of over \$73,000.

So far as historic sites are concerned, the province of Ontario has had to do that largely by itself. I have raised this question many times in the house, and some of the members from new Ontario and Muskoka and Parry Sound have also mentioned it. This department has done very good work both under this government and the one before, but I do ask the minister that something be done for Ontario. I do ask that something be done with all that waste property which the government has in the Rideau lakes, the Georgian bay and the Newmarket canal, away up in North York. They were going to have ocean liners up in North York in the days of 1896, then on to lake Simcoe and Muskoka and Parry Sound, right along lake Ontario to the head of the lakes. I believe that these could be linked up into a magnificent system. If we are to continue spending money like this in war time, well and good, but do not forget that the province of Ontario contributes nearly 40 per cent of the cash taxes of the dominion and that it gets very little value for the money expended.

I should like some reply from the minister regarding this matter which I have raised before. I do not see why it should be left to the provincial authority to do this in Ontario, while the federal authorities spend money in the very same direction in some other provinces. Mr. Hepburn's government had to do this work, and I ask the minister if any progress may be reported so far as Ontario is concerned.

Mr. CRERAR: As my hon. friend stated, he has brought this matter up on one or two occasions when the estimates of the national parks were under consideration in committee of supply. There are a few small national park areas in Ontario. There are the Georgian bay islands park, Point Pelee park on lake Erie, and certain islands in the St. Lawrence river. There is something to be said for the point of view urged by the hon. member for Broadview. I am a believer in national parks. Some argument could be made for a national park in Ontario, but there are one or two considerations which have to be kept in mind. The first is that the area for a national park has to be ceded to the federal authority by the

provincial authority. We have not purchased land anywhere for the establishment of national parks. In the second place, it is quite out of the question to consider developing the national park system in war time. I see the hon. member for Royal, who, I judge from the expression on his face, is going to raise the matter of a park in New Brunswick.

Mr. BROOKS: The minister had better wait till I raise it.

Mr. CRERAR: At any rate, the question of a park in New Brunswick was under consideration, as many hon. members know, and I dare say that, had it not been for the outbreak of war, that park would have been under development by now. With all the tremendous demands for expenditures in connection with the war effort, I think it is quite out of the question to look for a development of new national parks at the present time.

Mr. HAZEN: Where would the minister put it in New Brunswick?

Mr. CRERAR: One of the most difficult problems which this country will have to face will be the transition from a war-time to a peace-time economy. When that time comes, as it assuredly will, expenditures of this kind could well be undertaken, because work would be provided and materials required, and it would have generally the effect of helping to restore a peace-time economy.

Mr. BROOKS: Since the minister anticipated or thought he was anticipating my remarks, let me say I did intend to say something about the construction or development at some future date of a national park in New Brunswick. I would not be absurd enough to ask for it during the war, but I do not think the minister and his department can be relieved altogether of blame for there being no national park in New Brunswick. The matter was brought up several years before the war, at the time when a national park was mooted in the province of Nova Scotia and another in the province of Prince Edward Island. Both of these parks are now developed, and I believe they have been very successful.

As the minister says, the land is supposed to be ceded from the local government to the federal government. Four or five sites were looked over in New Brunswick. Probably the best was in my own constituency. I would have liked very much to see it developed at that time, and I believe that if the minister had taken as firm a stand as he should have taken, a park would have been constructed and developed in that province. I am glad the minister still has such a project in mind. Supply-Mines and Resources

I hope that, when this war is over, he or his successor in office will still have it in mind and that a park will be developed in New Brunswick, which is the only province in the dominion without one.

The hon. member for Broadview speaks of Ontario paying 40 per cent of the revenue and not getting 40 per cent of the "profits". If the estimates of this house were gone through and a calculation made of what Ontario receives in the matter of parks and everything else, I believe there could be no question but that she is receiving her full share.

I am glad the minister has not forgotten New Brunswick, and I hope he will make up in the future for his shortcomings in this respect.

Mr. ROSS (St. Paul's): The minister talks about a national park in the Georgian bay islands. It rather makes me smile, because all the national park that we have on the Georgian bay are islands which are owned by the dominion government and sold to people in Ontario whereby a revenue is returned to the dominion government. As far as fire protection or anything of the kind is concerned, there is nothing there: nobody looks after those islands. I think the minister is making a mistake in saying that we have that national park in Ontario.

I agree with the hon. member for Broadview. I think it is high time, or it was high time before the war-I would not think of it now-that the dominion government followed the Ontario government in the matter of national parks, and assumed some of the expense of supervision. The parks bring to the dominion a great deal of tourist revenue, and I think the dominion should relieve the province of some of the expense of taking care of them.

Mr. HAZEN: I understood the minister to say that if the war had not intervened, a park would probably have been established by now in New Brunswick. Would the minister tell us where he planned to locate that park?

Mr. CRERAR: My hon. friend knows perfectly well that the site of the park was not fixed; the matter was still unsettled. I believe there are several very good prospective sites, but none has been definitely agreed upon.

May I say to the hon. member for St. Paul's that none of the islands which constitute the national park in Georgian bay has been

sold. There are about thirty islands varying in size. Under the parks act we could not sell these islands without an act of parliament.

Mr. ROSS (St. Paul's): The dominion government have been disposing of islands in the Georgian bay.

Item agreed to.

Lands, parks and forests branch.

144. Grant to John Thomas (Jack) Miner, \$2,500.

Mr. MARSHALL: There is a notation at the foot of these items for lands, parks and forest branch. "Appropriations not required for 1942-43, \$12,500." What particular vote does this cover, and what is the justification for placing this amount of \$12,500 in the estimates?

Mr. CRERAR: It represents certain items for which we have no comparable items this year.

Mr. MARSHALL: I contend that should not be in there. It should be left out entirely, because it gives the impression that the estimates are reduced by \$12,500 this year. That is not the situation, because that amount is not connected with any item as set forth in the estimates either for 1941-42 or for 1942-43. I contend that it should be left out completely.

Mr. MacNICOL: I am sure that every member of the house is in favour of this vote for Jack Miner and that everyone would like to see it doubled. I hope that when the time comes and there is money to spare, the minister will see that it is doubled or trebled. I know there is not another man in Canada who does for migratory birds what Jack Miner does at the Miner Sanctuary near the beautiful town of Kingsville, lake Erie. I have seen as many as 40,000 geese there at a time. They stop on their way to the north as well as on their flight to the south, and Jack Miner feeds them from ten to fourteen thousand bushels of corn a year. He does this gladly with the best intentions for Canada, and it brings a great deal of revenue through tourists. A vast number of people visit the sanctuary.

Mr. MARTIN: A good many tourists.

Mr. MacNICOL: It is splendid work for the youth of Canada and of the United States as well. The hon. member for Essex East (Mr. Martin) I am sure has seen, as I have seen, as many as ten or fifteen large buses loaded with school children from Detroit stopping at Jack Miner's place, and he takes them over the estate of 400 acres and tells them all about the various woods and trees and about the wild fowl. On days when he [Mr. Crerar.] tags the geese there are great crowds. There is an old gander he affectionately calls "Old David", which plays pretty much the role of the goat in front of the porkpackers' establishment in Toronto, which leads the cattle into the packing house. "Old David" goes into the pen and starts eating the corn; the poor, innocent geese outside follow him in and when the pen is full, the sides drop and the geese are tagged. "Old David" seems to enjoy seeing the sides fall as much as the onlookers do. I am pleased to see this vote in the estimates, because Jack Miner's activities bring a good deal of money into the country. No one else does such good tourist work as Jack Miner.

Mr. MARTIN: A definite national asset.

Mr. CRERAR: I cordially endorse everything the hon. member for Davenport (Mr. MacNicol) has said. I doubt if there is in any field of work in Canada anyone who is rendering greater national service than Mr. Miner. He is a naturalist. He loves nature, and everyone who comes in contact with his personality and operations benefits from them. I have no hesitation in saying that I should like to have seen the vote larger, and when better times come I hope it can be substantially increased, because I know Mr. Miner carries on his work at a great deal of personal financial sacrifice.

Item agreed to.

Surveys and engineering branch.

145. Branch administration, \$22,130.

Mr. GREEN: Has this branch anything to do with such things as the construction of the Alaska highway? Under the agreement between the United States and Canada there is certain supervisory work to be done by this country, and I should like to know if it is carried out by this branch. If not, who does it?

Mr. CRERAR: My hon. friend is referring to the highway at present being built from the Peace River country to Alaska along the air route?

Mr. GREEN: Yes.

Mr. CRERAR: No; we have nothing to do with the construction of that. Certain negotiations took place between the two governments, and certain agreements were reached. In that respect this department acted in an advisory capacity to the government here, that is to say, to External Affairs. The United States government is doing the work and providing the cost of equipment and manpower necessary for the construction. This government has to make arrangements for the

right-of-way. We maintain on the road an officer of the department who is constantly in touch with the people building the road. He helps to adjust difficulties that may arise, which are very few indeed, along the route.

Mr. GREEN: Which branch of the department handles that supervisory work?

Mr. CRERAR: The liaison officer is an engineer from the lands, parks and forests branch, one of our park engineers in the western parks.

Mr. GREEN: Under the agreement does Canada have any real check on the way that road is built or the type of road? It extends for many miles through Canada, and surely one man cannot do very effective checking. It seems to me that this will prove of great importance for the future. After all, it is a Canadian road; yet apparently the situation is that United States troops are building it, and the only interest Canada is taking in it is to have one engineer, not from the surveys and engineering branch, which is really the road building branch of this department, but from the parks branch, if you please. That does not seem to me a very sensible way to deal with the matter. The minister has a competent and experienced staff who have been doing mountain highway work for many years. Why should they not be used to check the building of this Alaska highway?

Mr. CRERAR: The road is being built by and wholly at the cost of the United States government.

Mr. GREEN: But it is a Canadian road.

Mr. CRERAR: True, but it is being built by the United States. It is being built primarily to connect the airports in the event of heavy transport of planes. It is really a military road for the purposes of the present war. There is a definite agreement between the Canadian and United States governments covering not only the building of the road but its surrender to the Canadian government free of cost when the need for it has disappeared.

Mr. GREEN: In the agreement between the two governments I find this in paragraph 4 of the letter from Canada to the United States:

The Canadian government agrees . . . (f) to permit those in charge of the construction of the road to obtain timber, gravel and rock where such occurs on crown lands in the neighbourhood of the right of way, providing that the timber required shall be cut in accordance with the directions of the appropriate department of the government of the province in which it is located, or, in the case of dominion lands, in accordance with the directions of the appropriate department of the Canadian government. Which would call for some Canadian supervision, surely. Then paragraph 5:

The Canadian government agrees to the suggestion that the practical details of the arrangement be worked out by direct contact between the appropriate government agencies subject, when desirable, to confirmation by subsequent exchange of notes.

Canada is in this position: there was a commission working for some years, com-posed of representatives from Canada and the United States. One of Canada's representatives was. I believe, the director of this very surveys and engineering branch. They spent several summers surveying possible routes for a highway to Alaska. Surely it would be sensible now, when the road is being built, for Canada to have some of these men who have had experience in connection with the Alaska highway put in charge of the checking that is to be done on behalf of the Canadian government. According to the minister's statement, however, there is only one man, one engineer, not from this branch at all but from the parks branch, posted on that road. This means that there is not adequate supervision by Canada. It means really that there is no supervision at all. I suggest that for our own sake, to see that the road is a proper road and that the difficulties are ironed out, and also to facilitate the work of the United States engineers, Canada should have men on that road from the surveys and engineering branch.

Mr. CHURCH: That is the defence board for you!

Mr. CRERAR: The situation is not nearly as bad as my hon. friend would make out. In the first place, the timber and right of way referred to in the paragraph he read are matters under the control of the British Columbia government.

Mr. GREEN: Not in the Yukon. The road goes through the Yukon.

Mr. CRERAR: I am speaking of the part that goes through British Columbia.

Mr. GREEN: I am speaking of the whole highway.

Mr. CRERAR: The Yukon administration can look after any details there. The engineer we have sent is a competent engineer in the parks branch who used to be in the surveys and engineering branch, one of the old, experienced engineers of the government. He is not there to advise the United States engineers how they should build the road or where.

Mr. GREEN: I did not say advise; I said check.

Mr. CRERAR: It is not even a matter of checking. We do not need to have him there as far as checking is concerned. We are not paying a cent for the construction of the road.

Mr. GREEN: Does the government not care what kind of road it is?

Mr. CRERAR: The United States government are building it for heavy transport. It may reasonably be expected that they will build a good road.

Mr. GREEN: Does the minister not think it would be wise to have some one check?

Mr. CRERAR: I think it will be a very good highway when completed. Our liaison officer is there to be available if any questions arise from day to day, perhaps a question of going through an Indian reserve or something of that kind. He is there to assist and keep in contact with the people building the road. The whole expense of this undertaking is being borne by the United States, and that being the situation we cannot very well say, You are spending only \$10,000 a mile on a piece of the road; we think you should spend \$15,000 a mile. We know the purpose for which the road is being built, and we believe they will build a good road.

Mr. GREEN: When the war is over, the highway is, I believe, to belong to Canada. Canada will then be responsible for maintenance and repairs and any alterations needed. Surely it would be only business-like for the Canadian government to have officials of its surveys and engineering branch there while the road is being constructed.

Mr. CRERAR: I do not think there would be any gain in that. The road is being built for a special purpose which requires that it be a good road. What shall be done with it when the war is over is a matter for the Canadian government of that day to settle. When that time comes, the cost of maintenance, if the road is going to be maintained, will, of course, be the concern of Canada. In the meantime, however, the road is being built, and the very purpose for which it is being built requires that it be a good road; otherwise it would not be undertaken. I do not think we need have any worry about what will happen on that account.

Mr. GREEN: The same situation arises with respect to other military highways being built through British Columbia. I do not know whether the dominion government is checking those highways, to see how they are built, but here you have a surveys and engineering branch, with men trained in mountain engineering, and I suggest that they [Mr. Green.] should be put on the job of supervising the construction of these military roads, for example the military road from Prince Rupert inland. Has the dominion government any officers checking that construction, or is it being left entirely to the contractors?

Mr. CRERAR: The road from Prince Rupert is being constructed under the supervision of the surveys and engineering branch. That is Canada's responsibility; we are building that, and our surveys and engineering branch are looking after the construction. They are doing a very good job of it, too.

Mr. GREEN: I am sure they would; they are experienced men.

Mr. CRERAR: With regard to the Alaska highway, I do not think we should go in and impose conditions upon our United States friends who are building that road, beyond the understanding which was reached in the exchange of correspondence. Really I think my hon. friend's worries in that respect are largely groundless.

Mr. GREEN: Certainly the government do not seem to be worried very much about it, if they have only one man on a road hundreds of miles long, which to all intents and purposes is a Canadian road. I would ask the minister to go into that question again, and I suggest to him that he have engineers from this branch sent there.

Mr. CRERAR: To do what?

Mr. GREEN: To check, while that road is being constructed.

Mr. CRERAR: We shall have full reports on it.

Mr. FRASER (Peterborough West): Does the department have men in there to check on the forests along the road so that they may not be destroyed but may be retained as a tourist attraction when the war is over? With all these men working on that road, a match is liable to be thrown aside and a great deal of timber burned.

Mr. CRERAR: I have no doubt the British Columbia government are looking after that. They gave the right of way through crown lands; they have the right to give permission to cut timber, and I have no doubt they have their men on the ground looking after that phase of the matter. Farther north, in the Yukon, we will do the same. I am bound to say that the United States government and those in charge of the construction of this highway are cooperating with Canada in the

most friendly way, and as far as I am aware there has been no hitch or difficulty of any kind.

Mr. MARTIN: We happen to be allies.

Mr. GREEN: Oh, now, the hon. member need not talk like that. No one is questioning that at all.

The CHAIRMAN: Order. There is no discussion on that.

Mr. GREEN: I would ask the minister whether there is any plan in mind for connecting the Alaska highway with Prince George?

Mr. CRERAR: I have not heard of any. What does the hon. member mean by a highway?

Mr. GREEN: A connecting highway.

Mr. CRERAR: I cannot say that I am aware of any plan of that kind. I do know that consideration is being given to the construction of a railway north from Prince George, which might connect with this highway.

Mr. GREEN: Could the minister give us any information on that?

Mr. CRERAR: Nothing more than I have just said.

Item agreed to.

Surveys and engineering branch.

150. To provide for the expenses incurred under the agreement between the dominion, Ontario and Manitoba confirmed by the Lac Seul Conservation Act, 1928, monies expended to be largely reimbursed, \$17,800.

Mr. MacNICOL: With regard to the conservation works west of the outlet of lac Seul, are there any private rights in connection with the canal which connects the east end of lac Seul, through the Root river, with lake St. Joseph? Are there any private rights there? Has the government surrendered its rights?

Mr. CRERAR: I am afraid we have no information on that here. That is wholly within the province of Ontario. This vote arises out of the arrangement between Ontario, Manitoba and the federal government with regard to the development on the Winnipeg river, and the moneys are largely recoverable from the province of Manitoba under a charge made to the power companies.

Mr. MacNICOL: The estimate says that the moneys expended are to be largely reimbursed. Will that be from the provinces of Manitoba and Ontario to the federal government?

44561-318

Mr. CRERAR: No. Under the arrangement, the Manitoba government collects the rentals from the power companies on the river, and from those rentals reimburses us with regard to our expenditures.

Mr. MacNICOL: That is, the power companies in Manitoba?

Mr. CRERAR: Yes.

Mr. MacNICOL: The dam was originally intended was it not, to provide a steady flow of water on the English river and the Winnipeg river, upon which latter river the Manitoba power plants are located?

Mr. CREERAR: Yes, but the benefits from that dam came in the regulation of the flow of water down the Winnipeg river.

Mr. MacNICOL: Yes, through the English river down the Winnipeg river.

Mr. CRERAR: Yes; of course that was a benefit to the power companies on the river, and under the arrangement the federal government is reimbursed. We acted really as a sort of agent in carrying out the undertaking.

Mr. MacNICOL: Did the federal government contribute to the cost of building the dam west of lac Seul?

Mr. CRERAR: Yes; I am told we did contribute to the cost of the lac Seul dam, but I have not the amount at the moment.

Item agreed to.

Surveys and engineering branch.

152. To provide for general expenses of the committee as established under P.C. 682, dated February 17, 1941, to report on the conservation of the waters of the St. Mary and Milk rivers, \$500.

Mr. BLACKMORE: May I say a word or two with regard to the committee in connection with which this money had been provided. Hon. members were informed last year that there is an important area in southern Alberta which could be irrigated by utilizing the waters of two rivers, the St. Mary and Milk rivers, which are international streams rising in the United States and flowing across into Canada. As a consequence, both nations have a claim to the waters of those rivers. This St. Mary and Milk rivers water development committee was set up to investigate the whole question concerning the use of the waters of those two streams. May I read some of the findings of that body, from the report which it submitted officially in February, 1942. I read from page 3 of the report:

That the apportionment of the waters of the St. Mary and Milk rivers is governed by a treaty between Great Britain and the United

REVISED EDITION

States dated January 11, 1909, and is under the direction of the international joint commission.

2. That a final order of the international joint commission dated October 4, 1921, provided definite rules for apportioning the waters and the application of priorities.

3. That for the period 1922 to 1940 inclusive the share of the St. Mary and Milk rivers allocated to Canada under the 1921 order of the commission averaged: for the St. Mary river, 362,000 acre feet; Milk river, 40,000 acre feet.

4. That during the period 1922 to 1940 Canada has constructed irrigation works capable of using on the average only 163,000 acre feet of its share of the St. Mary river, and not more than 2,000 acre feet of its share of the Milk river.

May I pause there to comment. It is understood as one of the stipulations under the arrangement of October 4, 1921, that each nation was to make profitable use, or beneficial use, of its share of the water.

Mr. MARTIN: Is this a committee of the international joint commission?

Mr. BLACKMORE: I wish to point out the effect of that finding. Canada has fallen far short of her duty under the stipulations of the October 4, 1921, arrangement. By doing so, Canada has risked the loss of her share of the waters of the two rivers. The findings continue:

5. That for the same period the share of the St. Mary and Milk rivers allocated to the United States under the 1921 order of the international joint commission averaged: St. Mary river, 249,000 acre feet; Milk river, 75,000 acre feet.

6. That as at 1940 and excepting unusually wet years, the United States has constructed storage and irrigation works capable of regulating and making available for use its entire share of the St. Mary and Milk rivers and these works are capable of storing in the United States the portion of Canada's share of the Milk river presently not used in Canada.

That is an exceedingly serious matter.

Mr. MARTIN: What is this committee?

Mr. BLACKMORE: The committee we are discussing was set up under order in council P.C. 682, dated February 17, 1941.

Mr. MARTIN: Why would this not be a matter for the international joint commission?

Mr. BLACKMORE: Well, supposing it is; it is a matter for the house to consider, too.

Mr. MARTIN: I am wondering why there was a committee when we have the international joint commission.

Mr. BLACKMORE: The special committee was set up because there was great anxiety developing all through the area affected by this water conservation project, by reason of

[Mr. Blackmond

the fact that the people there knew that Canada was falling short of her duty, according to the order of October 4, 1921. The people in the area wanted the federal government to do something about the matter before it went too far. The result of the agitation and pressure was that this special committee was appointed to investigate the whole question. The committee has submitted its report, and I am reading the findings. They were tabled by the Minister of Mines and Resources in the spring. I hope that answers the hon. member's question.

May I go on to point out just how serious the matter is? Finding 6 states that the United States has provided storage facilities, as a result of the use of which she is able to store her full share and Canada's share also, while Canada has provided storage facilities to use only a very small portion of her share. This means that, according to the order of October 4, 1921, and earlier, Canada is in grave danger of losing her share of these valuable waters.

Paragraph 7 reads:

7. That Canada should construct at an early date the necessary irrigation works to protect by beneficial use its share of the St. Mary and Milk rivers.

That point may I draw especially to the attention of the committee, namely that Canada should construct at an early date the necessary irrigation works to protect by beneficial use its share of the St. Mary and Milk rivers. Then follows paragraph 8:

8. That there have been acute shortages in the water supply for existing projects served by the St. Mary river and that upon completion of the proposed St. Mary reservoir sufficient water would be available to supply these shortages and serve an additional area of 94,000 acres of new land.

The whole area affected lies in my constituency and in that of the hon. member for Medicine Hat. It therefore becomes my duty to bring this matter to the attention of the committee, so that it may realize the seriousness of the situation.

There are four full irrigation projects in my constituency, and those projects all suffer at times from shortage of water. That shortage would be overcome by the construction of the reservoirs proposed under the scheme known as the Lethbridge Southeast Water Conservation Project.

Mr. CASTLEDEN: How many acres does it serve?

Mr. BLACKMORE: It would, when completed, serve 345,000 acres. But this project would, in addition, enable the supplying of all the lands which now are under irrigation, but which suffer from lack of water in time of drought. It would also service another 94,000 acres.

Mr. CASTLEDEN: What is being supplied now?

Mr. BLACKMORE: I have not the figures before me.

The CHAIRMAN: I would point out that this matter was discussed on its merits when the committee was set up. Before the committee of supply at this time we have only an item of \$500 for our share in the cost of the report on the conservation of water. There is before us only the question of expenses incurred for the purposes of the report. Therefore I believe it would not be in order to enter into a discussion of the merits or demerits of the matter.

Mr. BLACKMORE: Would you tell me, Mr. Chairman, under what item this may be discussed?

The CHAIRMAN: When the report of the committee is before the house.

Mr. BLACKMORE: The report of the committee is now before the house. I have it here. It was tabled, and it is now a document before the house.

The CHAIRMAN: Has it been concurred in?

Mr. BLACKMORE: I am not sure whether it has been concurred in or not.

The CHAIRMAN: It is on the motion for concurrence in the report that the merits of the question would be discussed.

Mr. BLACKMORE: This report is not the work of a committee of this house; therefore no one could move concurrence in the report.

The CHAIRMAN: Any member of the committee could move concurrence in the report. What I have in mind is that this is not the proper place, in committee of supply when we are discussing an estimate providing \$500 to defray costs of the report, to discuss the merits of the report. It has been referred to a special committee, and the committee has reported. Therefore, when concurrence in the report is moved, the merits can be discussed.

Mr. BLACKMORE: My point is that this report is the work of a special committee, not a committee of the house. Therefore the report was not submitted by a committee of the house, but rather by a special committee set up under order in council P.C. 682, under the department of the Minister of Mines and Resources. The report was submitted to the

minister, not to the house. Therefore, as I understand it, it would be impossible for anyone to move concurrence in the report. I am simply discussing the progress of the whole question of the Lethbridge Southeast Water Conservation Project.

The CHAIRMAN: I have no objection to giving latitude. If the hon, member has unanimous consent of the committee to put his views on record, I would have no objection. But it would be quite out of order to start a general discussion in supply on the merits of that report.

Mr. BLACKMORE: Would you give me an idea, Mr. Chairman, where we could discuss this question? Here is a matter that could cause war; it could cause very serious loss to Canada; it ought to be discussed. If you will tell me where we can discuss it, I shall gladly discuss it at that point.

Mr. CRERAR: Mr. Chairman, I have no objection to my hon. friend discussing the matter, although I think your ruling is quite right, that on an item which has to do with the printing of the report of the committee my hon. friend is wandering rather far afield. I think the proper place to have discussed the merits or demerits of the proposals contained in the report from which he is quoting would have been the prairie farm rehabilitation vote, because this is essentially a matter of building dams and of getting water for irrigation. It could, therefore, have been more appropriately discussed under that item in the estimates of the Department of Agriculture.

Mr. BLACKMORE: In reply to the minister, I point out that this project because of its size does not come under the Prairie Farm Rehabilitation Act. In the negotiations regarding this matter, which lasted many months, and in which I had a considerable part, it was pointed out I believe, by the Minister of Agriculture that this project could not properly come under the Prairie Farm Rehabilitation Act because it was so large. It, therefore, would hardly have been in order for me to discuss it under the item which the minister suggests. I submit, Mr. Chairman, that I have said practically nothing for two or three days; I am not abusing the time of this committee, and this is a matter that vitally affects my constituency and my province.

The CHAIRMAN: I would point out to the hon. gentleman that the Chairman would be seriously embarrassed if any hon. gentle-

44561-3181

man, because he had not spoken for one or two or three days, asked the privilege of talking on any subject when a particular item was before the committee. If the minister has no objection to the hon. gentleman proceeding and it is the consensus of the committee to allow him to proceed, he may do so by unanimous consent, with the understanding that his remarks will not develop into a general discussion of the merits or demerits of the report. If the report has been tabled in the house, it is always open to any hon. member to give notice of a motion that action be taken upon it. May I assume that the hon. gentleman has the unanimous consent of the committee.

Some hon. MEMBERS: Hear, hear.

Mr. BLACKMORE: Recommendation No.9 reads:

9. That there is tributary to the St. Mary and Milk rivers a larger area of good irrigable land that can be irrigated by the total water available from Canada's share of these rivers supplemented by waters of the Belly and Waterton rivers.

Then No. 10:

10. That upon the completion of the ultimate development a total of 345,000 acres would be available for post-war settlement and for the reestablishment of many farmers at present on submarginal lands.

May I just pause to point out to members of the committee that the project under discussion involves 345,000 acres of the finest land in the Dominion of Canada. When brought under irrigation every 20,000 acres of it could support a beet sugar factory capable of producing 5 per cent of Canada's sugar requirements. The whole 345,000 acres could thus yield 85 per cent of Canada's consumption of sugar before rationing took place. From these facts the committee can gather some idea of the potentialities of that area with respect to producing sugar. Remember, it is 345,000 acres 1

Mr. MARTIN: What acreage is now under cultivation?

Mr. BLACKMORE: In sugar beets? About 20,000 acres will supply a sugar factory. One sugar factory in my constituency is using, roughly, 14,000 acres at the present time. I would suppose that for the two factories between 20,000 and 24,000 acres are under cultivation out there now.

Then No. 11:

11. That a reservoir on the St. Mary river in Canada is the most important feature in the development and the site proposed and dealt with by this report is the most feasible for purposes of storing Canada's share of the St. Mary river and tributaries and waters from the Belly and Waterton rivers.

[The Chairman.]

12. That while irrigation in southern Alberta has been featured during the past by many difficulties, due chiefly to the financial set-up whereby all the costs of construction were charged or assessed against the lands irrigated, its value is clearly demonstrated in many ways by the projects now operating.

13. That under irrigation, the soil and climatic conditions in southern Alberta are highly favourable to the production of forage crops and live stock and for growing sugar beets, corn, canning products, and a wide variety of specialty crops.

14. That the stabilized agriculture and increased production resulting from further irrigation development in southern Alberta would provide for permanent home building, for a higher standard of living, and for improved social advantages and educational facilities.

15. That the total estimated outlay required fully and economically to utilize Canada's share of the St. Mary and Milk rivers for the irrigation of 345,000 acres of land on the basis of pre-war prices is estimated at \$15,178,439 or \$43.99 per acre, including construction, operation deficits, land preparation and colonization costs over a fourteen-year period of development.

In the light of the astronomical figures we now use in dealing with Canada's expenditure, that amount of money is but small change.

16. That the capital cost is reasonable for irrigation projects of comparable size and that the extensive national and provincial benefits to be expected from the undertaking through business developments and reduction of relief costs fully justify government financial assistance.

An important finding. Then No. 17:

17. That while the programme proposed provides for a fourteen-year period of construction, the development lends itself to great flexibility both in time and the order in which different parts may be undertaken.

18. That benefits to be derived from the proposed development spread widely throughout the country and accrue:

(a) to the farmer,

(b) to the local urban community centres, the municipalities and the province, and

(c) to the country at large in increased taxable wealth, increased food supply, and business expansion.

19. That from representations made to the committee by individual farmers and by various organizations including the South Alberta Water Conservation Council, a representative organization, there is a wide demand for the construction of the proposed development.

20. That the representatives of the Alberta government, while not committing their government, expressed a strong desire to see the development proceeded with, provided of course, satisfactory arrangements can be arrived at between the two governments and embodied in an agreement.

Those are the findings, Mr. Chairman.

Item stands.

Progress reported.

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

Friday, July 31, 1942

The house met at eleven o'clock.

SPECIAL COMMITTEES

HONOURS AND DECORATIONS—CONCURRENCE IN SECOND REPORT

Hon. CYRUS MacMILLAN (Queens) moved:

That the second report of the special committee on honours and decorations, presented to the house on the 24th instant, be now concurred in.

Motion agreed to.

WAR EXPENDITURES-CHANGE IN PERSONNEL

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the names of Messieurs Fournier (Maisonneuve-Rosemont) and Coldwell be substituted for those of Messieurs Abbott and Douglas (Weyburn) on the select committee on war expenditures.

Motion agreed to.

PRINTING OF PARLIAMENT

PRINTING OF CERTAIN DOCUMENTS AND PAPERS IN "VOTES AND PROCEEDINGS"

Mr. VINCENT DUPUIS (Chambly-Rouville) moved:

That the attached list of documents and papers, referred to in the third and final report of the joint committee of both houses on the printing of parliament, be printed in the Votes and Proceedings.

Motion agreed to:

PUBLIC EXPENDITURES

REQUEST FOR STATEMENT AS TO MEASURES OF SUPERVISION AND CONTROL

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I desire to ask a question of the Minister of Finance. It will be recalled that on July 21, as reported in Hansard, page 4447, I asked the minister whether it was proposed, as indicated in an item appearing in the Ottawa Citizen of July 20, to establish a new supervisory authority in order to exercise greater control of governmental expenditures, and particularly to eliminate needless extravagance. In his reply the minister stated that a specific proposal for the watching of a certain class of expenditure had been discussed, and that one of his colleagues would be in a position to make a statement before the close of the session. When may we expect to have that statement?

Hon. J. L. ILSLEY (Minister of Finance): Perhaps the Minister of National War Services, who was the colleague to whom I referred, can say a word about that.

Hon. J. T. THORSON (Minister of National War Services): The subject to which the leader of the opposition has referred relates to proposals of economies in the matter of government offices. It is still under consideration. No decision has been made as yet with regard to the matter.

Mr. HANSON (York-Sunbury): That is, the principle itself has not been established by the government. Has a commissioner been appointed?

Mr. THORSON: No one has been appointed.

Mr. HANSON (York-Sunbury): And the principle itself is still under consideration?

Mr. THORSON: It is still under consideration.

"O CANADA"

REQUEST FOR FURTHER STATEMENT IN ANSWER TO QUESTION AS TO STATUS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I wish to ask the Prime Minister a question referring to his reply on the evening of July 28, as reported in *Hansard*, page 4888, to the questions which had been raised about eight times this session on the flag and the national anthem by the hon. member for Quebec-Montmorency (Mr. LaCroix).

The right hon. gentleman replied to me the other evening in reference to the statement he made on the national anthem in 1927, and he stated that since that time we had had in Canada a royal visit, on which occasion the two anthems were given equal recognition. In reply to an hon. member whose own side started this, he had already said in the house two or three times that in view of the fact that the war was on, the question in regard to a flag and an anthem could stand over until after the war, which I think was wise. It was secondary, and I did not start it. I should like to ask the Prime Minister to clarify the statement he made last Tuesday, because, when the law was looked into by me in 1927, on a question then put, the right hon. gentleman, then Prime Minister, stated that the existing anthem, "God Save the King," was and always would be Canada's national anthem, but that there was another one, which was somewhat provincial, like "The Maple Leaf Forever," and another provincial anthem namely "O Canada." Would he clarify that

Status of "O Canada"

statement? I think the house should decide these two matters according to the Prime Minister's reply of a month ago.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I should like to clarify what I said, but I doubt if I could do so in words other than those I have already used. There are times and seasons for all things, and this time of war does not seem to me, and I am sure it does not seem to hon. members generally, to be an appropriate time to provoke a discussion, either in the house or in the country, on the question of either a national anthem or a national flag. I believe that by custom, so far as the national anthem is concerned, it may be said that both "God Save the King" and "O Canada" have been regarded—

Mr. MacNICOL: And "The Maple Leaf Forever"-

Mr. MACKENZIE KING: No; I am speaking only of the two-have been regarded as national anthems and have been accorded like recognition, not in all cases, but generally by courtesy. I should feel that during the period of war it would be preferable to allow matters to remain as they are. To go beyond that at this time would undoubtedly occasion misunderstandings abroad if they did not also occasion misunderstanding at home. It would be the wish of all, I am sure, to avoid unnecessary controversy. I feel strongly that at an appropriate time this house should pass a resolution which would give definite status to the national anthem or anthems to be accorded due recognition and observance in Canada, but I do not think that the present is an opportune time.

Mr. CHURCH: The visitors referred to just did that as a matter of courtesy.

PICKERING MUNITIONS PLANT

INQUIRY FOLLOWING EXPLOSION—ALLEGED DEFECTIVE SHELL CASINGS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): On July 25, as reported at pages 4702 and 4703 of *Hansard*, I asked the Minister of Munitions and Supply certain questions in connection with the explosion at the government munitions plant at Pickering. Is the minister now in a position to reply to those questions?

Hon. C. D. HOWE (Minister of Munitions and Supply): The proceedings of the inquest came to my hand only yesterday. I have not [Mr. Church.] had an opportunity to prepare a complete statement, but I can give the house certain information, and I am glad to do so.

On Saturday last, in reply to an inquiry of the leader of the opposition, I agreed to give the house a full report on the explosion which took place in the shell filling plant at Pickering, Ontario, some weeks ago, which resulted in the death of one employee and serious injury to three others. This accident occurred while a round of 2-pounder anti-tank ammunition was being buffed, to reduce the thickness of the metal of the cartridge case, that it might fit into the chamber of the 2-pounder antitank gun. The cartridge cases in question are made by a Montreal manufacturer, who up until June 8 had delivered a total of approximately 1,550,000 cases to this particular shell-filling plant. Of this total quan-tity of deliveries some 850,000 had been assembled into complete rounds by June 8, and of those assembled rounds about 10,000, or 1.17 per cent, had failed to pass the chamber gauge test. As soon as these defective rounds were discovered, an immediate investigation was ordered, as a result of which it was discovered that the defect was caused by overly thick metal at the mouth of some of the cartridge cases. The manufacturer promptly eliminated this fault and the first batch of acceptable cartridge cases arrived at the shell-filling plant on June 9.

It was then decided not to use any of the cases delivered before June 9 in the assembling of finished rounds of ammunition, but to set aside the balance of the 1,550,000 cases delivered before June 9 until they could be thoroughly checked and, if necessary, rectified. However, prior to this decision, a number of these faulty cases had been assembled into complete rounds. The question was whether the rounds should be broken down, or whether the neck of the cartridge case should be buffed to reduce its thickness. Both these operations are attended with considerable danger, and it was decided to adopt the second alternative, inasmuch as this would permit the salvaging of the entire round, whereas the breaking down operation would probably have resulted in the complete loss of all the over-size rounds.

Ten thousand rounds of faulty shells were successfully rectified by buffing, with the use of a 6-inch buffing wheel. It was subsequently decided that the operation could be speeded up with the use of a 12-inch buffing wheel. The 12-inch wheel was installed on June 8 but apparently was never properly tested. This wheel was not put into immediate operation because, with the delivery of satisfactory cases from the manufacturer in Montreal, on

June 9, there was no further need for buffing complete rounds. On June 25, 700 of the cases which had been delivered prior to June 9 were put into the line for filling and assembling, as a result of an error on the part of one of the workmen. This error was discovered by the floor foreman, but not before 100 of the cases had been assembled into complete rounds. When these rounds failed to pass the chamber gauge test, the floor foreman, under the impression that the 12-inch buffing wheel had been thoroughly tested, ordered the rounds to be buffed on that wheel. After three or four rounds had been buffed the explosion occurred which resulted in the death of one of the employees and the injury of three others. Immediately following the accident, the cartridge case manufacturer installed special equipment, at his own expense, in the shell-filling plant, to handle the balance of the 700,000 cases delivered before June 9. This work has been carried on efficiently and with entirely satisfactory results.

I have not had time to go through the coroner's report, but the following is the verdict of the jury:

We your jury empanelled to inquire into the death of Alexander Dodwell, present our finding: that the deceased met his death while in the employ of Defence Industries Ltd., Pickering, Ontario, on June 25, 1942. This death was accidental, the result of an explosion while polishing wheel was being used to remove high spots on a 2-pound shell.

We recommend that greater precautions be taken in future, and that other and safer methods be used in this operation should the need again arise.

My hon. friend, the leader of the opposition, said:

What the citizenry must know is why 60 per cent of all the shell casings received up to June 8 from the Montreal plant were defective; why 420,000 out of 700,00 received were defective.

That is 420,000 out of 1,550,000, as a matter of fact. The reply is that these passed through the inspection at the Montreal plant, although there was a minor defect. The extra thickness in the metal amounted to one or two thousandths of an inch. It was passed probably by inexperienced inspectors.

I may say that the inspection of munitions is carried on by an inspection board of Great Britain and Canada. The inspection board is responsible to the authorities in Great Britain for inspection of British munitions and to the Department of National Defence for inspection of Canadian munitions. The board is a very large organization, I think some 15,000 employees. The work has been splendid. The handling of high explosives is of course a dangerous operation. This death at Pickering

Pickering Munitions Plant

is only the second death we have had in such operations. In the case of the first death the person who died stated on his deathbed that it was his own fault, that he had broken the safety regulations. In this case there is no doubt these shells slipped through inspection. There is not a duplicate inspection; they are inspected out of the shell casing plant, and they come to the shell-filling plant with the inspector's seal on them. After the filled round is completed the filled round is inspected with the gauge to make sure it will fit the chamber of the gun, and it was then that this situation was detected. As I said, 10,000 of the rounds had been rectified by the method used on these rounds but with another emery wheel. It was not expected that any more filled rounds would require revision, but through an error about 100 filled rounds were filled and were buffed on the larger emery wheel, which had not been tested out and properly adjusted.

The second question is:

Was there any inspection at Montreal before the shell casings were shipped? If not, why not?

Of course the shells were inspected, and it was due perhaps to inexperience of the inspectors that these shells were passed.

Was there any inspection at the Pickering plant before loading? If not, why not?

As I say, the shells come into the plant with the seal of the inspector on them, and another inspection at that point would be a duplication, which is not considered necessary.

Is the inspection system effective? If not, why not?

I doubt if any one in this war effort has on the whole done a better or more workmanlike job than the inspection board. It has been a splendid job working under pressure. They had to take on and train thousands of inexperienced men and women and this, the first serious error that has been discovered, I think is not a reason for condemning the inspection board unduly.

Who pays for the defective shell casings, and who pays for the buffing of defective casings?

That is paid for by the manufacturer of the casings. We pay the manufacturer on inspection certificates but it is well understood in munitions production that the approval of an inspector does not free the manufacturer, that if defects are subsequently found the manufacturer must make them good. And he is doing so in this case.

Mr. COLDWELL: How are these shells paid for?

Pickering Munitions Plant

Mr. HOWE: They are paid for by the British government.

Mr. COLDWELL: Is it unit cost or costplus, or how?

Mr. HOWE: Unit cost contracts.

Who is responsible for the production of 420,000 defective shell casings in one plant out of a total received of 700,000?

Well, they were manufactured in the plant of Robert Mitchell company, and the Robert Mitchell company are responsible. But I think it is a case where a very minor error was made due to defective inspection.

Mr. MacNICOL: It is one of the best plants in Canada.

Mr. HOWE: Yes, it has been one of our finest shell casing plants.

Mr. COLDWELL: Are any recreational facilities provided for the men engaged in this plant during the hours between shifts, or when they are at lunch? I ask that question deliberately because I know that is done in Great Britain, in order to keep the workers from spending the off hours in the bars of the inns and public houses. I have been told by people working in these plants that there is nothing for them to do except go and have a chat in the beer parlour. This means the drinking of several glasses of beer, which may affect them both from the point of view of their own safety and from the point of view of inspection. Have we followed the practice in Great Britain, where they have noon concerts, the workers themselves often taking part in it, in order that the workers may have the right type of recreation during their off periods?

Mr. HOWE: Great care has been taken to provide cafeteria accommodation inside the plant but away from the danger zone. We try to provide ample recreational facilities on our own grounds, where of course there is no beer to be had. The shifts are short eight hours, with a lunch period; and I doubt very much if the workmen leave the grounds from the time they come on in the morning until they go home at night.

It must of course be recognized that in these explosive plants safety depends on every man knowing his job and doing it. The greatest care must be taken to ensure cleanliness and precision in every operation. We are filling about 2,250,000 shells a month, and I think it is remarkable that the accident record is such a splendid one.

[Mr. Coldwell.]

Mr. DOUGLAS (Weyburn): What provision will be made for the family of the man killed? Will it come under the Ontario compensation law, or a special provision by the federal government?

Mr. HOWE: It comes under the dominion compensation laws, which in this case follow the same scale as the Ontario laws.

POSTAL SERVICE

CONTRACT FOR CARRYING OF MAIL BETWEEN OTTAWA AND UPLANDS AIRPORT

On the orders of the day:

Mr. J. H. HARRIS (Danforth): I wish to ask a question of the Postmaster General. I am sorry I did not have an opportunity to advise him in advance. Would the minister be good enough, before the house closes, to table a copy of the agreement or contract for the carrying of mail from the Ottawa post office to the Uplands airport, and advise us whether there is in the agreement a fair wage clause, and also whether tenders were called for this contract?

Hon. W. P. MULOCK (Postmaster General): I shall be glad to obtain the information, whether or not it is possible to table it before the house adjourns. In any case I shall be glad to forward a copy to the hon. member.

Mr. HARRIS (Danforth): Will the minister answer the question whether there is a fair wage clause and whether tenders were called?

LABOUR CONDITIONS

INQUIRY AS TO REPORT OF INVESTIGATOR WITH RESPECT TO DIFFICULTIES IN DUMART PLANT

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): This morning I received a telegram from the employees of the Dumart plant. A commissioner has been investigating the recent trouble there, and I understand that his report has been made to the department. Is the minister in a position to table the report before the house adjourns?

Hon. HUMPHREY MITCHELL (Minister of Labour): I have no knowledge of it, though I mentioned the matter to my officials this morning. I shall be glad to comply with my hon. friend's request, or, if it is not possible to table the report before the house adjourns, I will arrange to have a copy sent to my hon. friend.

HANDLING OF UNEMPLOYMENT INSURANCE BOOKS IN DISTRICT OFFICES

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): I have a question to direct to the Minister of Labour. I understand that unemployment insurance books must be completed after each job and before another job may be taken. I have before me a letter from a man who states that he sent his unemployment insurance book to the district office on July 10 but did not receive an answer from that office until July 24. In that answer he was told that the delay in replying to his letter was occasioned by the unusual press of business, and they hoped he had not been greatly inconvenienced. Then the letter goes on to say that he might get a job at Pickering, and he is also told:

If interested, I would thank you to advise me, or if you decide to go at once you can pick up your insurance book at this office on your way there.

This man lives sixty miles from that office. Is there any way in which the minister can speed up the work of these offices and help out these men? This man has lost the time between July 10 and July 24, and he asks whether he is entitled to unemployment insurance for that period, because he missed out on a job.

Hon. HUMPHREY MITCHELL (Minister of Labour): I shall be glad to look into the facts of the case. My hon. friend will appreciate that with over three million persons coming within the orbit of the act, occasionally we will get some questions such as the hon. gentleman has raised. But he may rest assured that I will look into it to see if the work can be expedited.

Mr. FRASER (Peterborough West): There are not three million people in the district where this happened. These incidents have occurred in other offices as well, and I think the work should be speeded up.

Mr. MITCHELL: If my hon. friend had just sent me a note we might have been able to deal with the matter better. When you are dealing with three million people, if all the trials and tribulations we run into are to be made the subject of questions on the orders of the day, it will create an almost impossible situation.

AIR RAID PRECAUTIONS

ARRANGEMENTS FOR BLACKOUTS-SUGGESTED EXTENSION OF DUTIES OF WARDENS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I would ask the Minister of Pensions and National

Air Raid Precautions

Health if before the house adjourns he would be prepared to make the statement he said he would make with regard to the blackout situation. I have seen him about it several times. No doubt the air raid wardens have done excellent work, but I suggest it should be extended to work of a more practical nature. These blackouts have been largely discontinued in England because most of the raids occur during the day time. I believe these blackouts have no military value. I appreciate the splendid work that has been done by the air raid wardens, as everyone does, but would it not be better to give them some practical instruction, such as teaching the public to handle a rifle at the miniature ranges, as was done in Finland?

Hon. IAN A. MACKENZIE (Minister of Pensions and National Health): Before the Easter recess we spent the great part of a day in a thorough discussion of the air raid precaution situation throughout the Dominion of Canada. In regard to the blackout system, while authority is vested in the Minister of Pensions and National Health, as a matter of fact in actual practice this authority has been delegated in the various provinces to the provincial premiers or in some cases to the attorneys general, who consult with the three defence services before a blackout is arranged or staged. Actually, therefore, a blackout is not ordered by the Minister of Pensions and National Health, but is authorized by him at the request of the provincial authorities.

In regard to the services of those engaged in air raid precautions work, there are to-day 150,000 of these people in Canada who have volunteered and who have been most zealous in their work. Perhaps in some cases they are a little over-zealous, as my colleague the Minister of Munitions and Supply (Mr. Howe) might testify, but they are doing most excellent work. The question of the relative value of their service, as between this air raid precaution work and the reserve army, has been considered most carefully by the Minister of National Defence and myself, and a very thorough working arrangement has been arrived at between the two departments.

Mr. CHURCH: A blackout lasts only twenty minutes in Halifax. Why should it last for an hour in Ontario? Why should the large municipalities not have jurisdiction over this matter themselves instead of the provinces?

Mr. MACKENZIE (Vancouver Centre): I should be glad if my hon. friend would make his complaint to the authorities of his own city of Toronto, because we do not direct the length of a blackout in that city; we only authorize it at the request of the provincial air raid precautions committee in conjunction with the defence authorities of that district.

Mr. CHURCH: Most of the prosecutions seem to be in the city of Toronto. Here is the case of a woman eighty-three years of age whose husband was prosecuted because she had a small candle burning. She had heart disease, and to let in a little air she opened a window screen.

DEBT LEGISLATION

EFFECT OF DISALLOWANCE OF PROVINCIAL STATUTES

On the orders of the day:

Mr. G. H. CASTLEDEN (Yorkton): The recent disallowance of debt legislation passed by some of the western provinces has led to considerable apprehension on the part of many people in regard to the security of their homes. Apparently it is too late for any legislation to be brought down this session, but would the Minister of Justice give us some definite assurance that some effective action will be taken to safeguard people in their homes during these days of stress?

Hon. L. S. ST. LAURENT (Minister of Justice): I do not think the Minister of Justice can give the hon. member any definite assurance as to what the government will do. The matter is being considered, and when a decision has been arrived at it will be announced. Pending that, I can give no assurance whatever, other than that the matter is receiving careful consideration.

SUPPLY

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

DEPARTMENT OF NATIONAL DEFENCE

Normal services.

180. Cadet services, \$659,000.

Mr. COLDWELL: Mr. Chairman, I understood that this morning we were to go on with the estimates of the Minister of Mines and Resources, and we are ready for him, but now we seem to be going into another department.

Hon. J. L. RALSTON (Minister of National Defence): I asked that my department be brought in. I have an appointment a little later which I want to keep.

Item agreed to.

183. Battlefields memorials, \$13,680.

Mr. COLDWELL: Some little time ago I wrote the minister with regard to the possi-[Mr. Ian Mackenzie.] bility of equipping certain men, particularly those on the Pacific coast. The minister acknowledged the letter and said the matter was being looked into. On Vancouver island I believe a number of civilian corps have been organized, and if they are to be of any use they should be both regularized and equipped. I do not think it well that any civilian groups should be apart from the control of the military authority. I am not going to elaborate the matter; I think the minister knows to what I refer. Could the minister tell me something about it?

Mr. RALSTON: I did not expect that this would come up, because as my hon. friend knows it is really a war appropriation item rather than one coming under these items. I can say to my hon. friend in the first place, however, with regard to regularizing the corps of which he is speaking, the Pacific coast militia rangers, the hon. member for Vancouver South has been at least as much interested as anyone else in that connection. The corps is regularized; it is a part of the Canadian militia. With regard to equipment, I did get a complete list of what had been issued, and I must say that I was very much gratified at the amount of equipment being The hon. member for Vancouver issued. South sent or gave me a letter from a gentleman out there complaining that equipment had not been issued. I telephoned the Pacific coast and obtained this list of the equipment now being issued, and as a matter of fact I intended to ask my hon. friend to come to my office and I would show it to him. I have not the list with me this morning, but I can assure my hon. friend and the committee generally that equipment is being procured faster than I really expected in connection with this militia corps. They are different from the reserve army. They are a reserve militia organized under a special order, but they are still part of the Canadian army. We are endeavouring to do our very best to equip them as quickly and as completely as possible, having regard to the special work they are doing.

Mr. GREEN: There is one matter I should like to bring to the attention of the minister, and that is the question of the intelligence organization at National Defence headquarters. I realize that much publicity cannot be given to that branch of the department, but I suggest to the minister that there is a great need of increasing and strengthening the personnel in that branch. We are now in the position where Canada may become a battle ground, particularly on the Pacific coast, and I suggest it is very important that we should have

in Canada an intelligence section functioning much as the similar sections function in Great Britain, the United States and other large nations. I would ask that during the time the house is adjourned, in fact at as early a day as possible, the minister give the matter careful consideration, because I am quite sure something should be done along that line.

Mr. RALSTON: The matter has had more than consideration. As a matter of fact a definite change in organization, an increase in organization and, to use my hon. friend's word, a strengthening in organization, has already been authorized and is now taking place. My hon. friend knows, of course, that operations and intelligence are together. We are strengthening both branches, having particular reference to the intelligence side of it.

Mr. NEILL: I did not hear exactly what the minister said. Did he say he was fully satisfied that the equipment was going out, or that it had gone out?

Mr. RALSTON: What I said was that I cannot recall from memory just the list of equipment. But I said that when my hon. friend sent to me a letter from a gentleman out there complaining that no equipment had been issued I immediately—

Mr. NEILL: I have half a dozen like that.

Mr. RALSTON: Then my hon. friend says the same thing. I immediately had my officials get in telephonic communication with the Pacific coast, and they gave me a list of the equipment. I am thinking particularly of tommy guns. There was a large number of those, and any other articles of equipment which were being issued at that time. I should think it would have reached them. It must be a week ago my hon. friend sent that letter.

Mr. GREEN: It was two or three weeks ago.

Mr. RALSTON: And I got in touch immediately after that. I have sent for the list so that I might give any of my hon. friends an exact statement with regard to it. Of course I am never satisfied with anything in connection with equipment until they are fully equipped. But I am satisfied everything is being done—and that is not simply "language," —that all possible is being done to provide such equipment as is available, and that there is more equipment available than I expected at this early stage.

Mr. NEILL: May we have a copy of that letter later in the day?

Supply-National Defence

Mr. FRASER (Peterborough West): I was out at Connaught ranges and I found that all the flush toilets and showers were closed up, and that wooden latrines were being used. I have had many complaints from that camp in regard to flies arising from that cause. A great many men out there have had dysentery. Will the minister see to it that the showers and flush toilets are opened up for next year? We will not have time this year, I imagine.

Mr. RALSTON: I have a report from the inspector-general regarding that same matter. The matter was taken up with the quartermaster-general and we sent a man out there. One was the district engineer of military district No. 3. I am satisfied that the condition will be corrected for the future. I am also satisfied that an improvement was made as a result of the inspector-general's report.

Mr. FRASER (Peterborough West): That is true.

Mr. RALSTON: I have in my hand now the list about which inquiries were made. I do not know whether the committee will consider it sufficient to have this information communicated to the hon. members for Rosetown-Biggar and Vancouver South. It shows the exact number of Winchester carbines, the number of rifles, Stens, the rounds of ammunition SAA 9 millimetre and .303 ammunition. I would prefer, however, not to put all this information on record.

Mr. GREEN: It might be helpful to the enemy.

Mr. RALSTON: If the committee will permit, I shall be prepared to show the information to these hon. members, and to any other hon. members who wish to see it.

Item agreed to.

The CHAIRMAN: There are no supplementaries.

Mr. RALSTON: Yes, votes 428 to 430, which are three additions in amounts to items already passed.

The CHAIRMAN: Items 428 to 430 have been passed. They are for the fiscal year ended March 31, 1942.

Mr. RALSTON: I believe that is correct.

Mr. GRAYDON: May I have the privilege of asking one question with respect to item 184? When does the minister expect the book of remembrance will be completed? What progress has been made with respect to it?

Mr. RALSTON: The decoration of the pages has been completed, and the sheets are being checked and examined now for any imperfections. It is expected that they will be handed to the binders about August I. The employment of assistants to the artists has already been terminated, and the services of Mr. Beddoe, who was actively engaged in connection with the work, will cease on August 31. I should think the answer would be that it goes to the binder in August, and as soon as the binder has completed his operations, the work will be finished.

DEPARTMENT OF JUSTICE

88. Departmental administration, \$156,750.

Mr. MacNICOL: When the minister's able predecessor, the late Right Hon. Ernest Lapointe, was in the house, he announced on one occasion in recent years that he could not carry on until the recommendations of the penitentiaries commission which investigated the appointment of certain penal commissioners were implemented. He indicated that he would not be able to carry on without parliament giving him the right to make such appointments. These have not been made yet. If the minister is carrying on without those appointments having been made, he must be having a hard task.

Hon. L. S. ST. LAURENT (Minister of Justice): The deputy minister has not represented to me, since coming to the department, that there was any deficiency in staff. I have not noticed any undue delay in carrying out the duties of the department.

Mr. COLDWELL: I should like to ask the minister about the possibility of the government's giving some consideration to the appointment of the penal commission, which was recommended four years ago. At that time the matter was discussed in the house, and I thought there was a very general opinion that the report was an excellent one, that the recommendations were good and that it showed that Canada was out of line with modern thought in the realm of prison reform. These reforms are as badly needed now as ever. A few days ago we heard of a man who had been imprisoned in Toronto, and his story seems to be confirmed by the premier of Ontario. If his story is correct it emphasizes the need of the consideration anew of prison reform, both federal and provincial. In my opinion our penitentiaries should be placed under a proper commission in which we could have complete confidence. I am not going to prolong the discussion because it is too late in the session, but I do want [Mr. Graydon.]

to ask the minister if he is prepared to recommend to the government that they give consideration to the report of the royal commission which was tabled in this house, I think some four years ago, with a view to implementing some of the recommendations, particularly the principal one, which recommends the appointment of a proper commission to supervise our prisons so that they may be more like reformatories than places of punishment.

Mr. HANSON (York-Sunbury): I was going to raise this question myself, but my hon. friend got to his feet before I did. In 1936 a royal commission was appointed. This commission travelled all over Canada and Europe, and a large sum of money was spent. The chairman was a well known former member of this house, now a member of the judiciary of the province of Quebec, and quite qualified to undertake the work of the chairmanship of the commission. The commission made a definite report, the main recommendation being the establishment of a commission to administer our penal institutions instead of a superintendent as heretofore. That recommendation has been consistently ignored; at any rate the government has failed to implement it. On one occasion I queried the former minister of justice, and he said he was unable to find the right men. I felt at that time that that was an evasive answer. If he had searched diligently I think he could. have found many gentlemen in the ranks of the Liberal party who would have been willing. to take on that job. The result is that we have had to continue under the old system, which was so consistently condemned by the minister's predecessor in office and by hon. members to my left, and perhaps more particularly by former members of their group. I am wondering if the position was as bad as they said it was. But the fact remains that constructive recommendations were made in the report of the commission with respect topenal reform. Has this government given effect to any of them, and if so, which ones? Has any consideration been given to the introduction of the Borstal system? I am afraid that like the report of many another royal commission, this report has been pigeonholed and we shall never hear of it again, especially when the department's estimates are brought up at the eleventh hour. There is no doubt that the people will stand behind the government if proper reforms are put into effect when it has been shown that they are needed. I have never taken the view that our penal' system was as bad as some people painted it.

Mr. McCANN: It is worse.

Mr. HANSON (York-Sunbury): My hon. friend on my right says that it is worse. I do not think it is, but perhaps my knowledge is not extensive enough to warrant my expressing any definite opinion, any first-hand opinion at all events. I should like to have a statement from the minister as to why action has not been taken on the report of this royal commission.

Mr. MARTIN: Is it not a fact that many of the recommendations have been followed?

Mr. HANSON (York-Sunbury): They will tell you that, but we are never told what they are. They always hide their light under the proverbial bushel. I hope the minor complaints have been corrected long ago. Great advances have been made in penology and in medical science in recent years, and I should have thought that our penal institutions would try to keep step with them. There has been nothing done in setting up a new system; in the main we are following the principles of the old system which was so roundly condemned by hon. gentlemen opposite and by hon. gentlemen to my left during the regime of Mr. Guthrie as minister of justice.

Mr. CHURCH: Last year the former minister of justice brought the estimates of his department before the committee on February 25, almost immediately after the address in reply to the speech from the throne had been debated. This department covers two branches, one having to do with the administration of justice and the other having to do with the penitentiaries. Last year these branches were taken up separately. The Department of Justice in Canada carries out the functions performed by five or six departments in Great Britain. First, the minister is the Attorney General of Canada; he appoints judges and has control over the administration of justice. Second, he performs the duties of the home secretary in looking after these institutions. Third, he performs some of the duties of the lord chancellor in advising in connection with appointments. Fourth, he performs the duties of the solicitor general of England and solicitor general of Scotland. Fifth, he has other administrative duties to perform. He performs all these duties as Minister of Justice and Attorney General of Canada.

Last year I directed the attention of the minister to the fact that 110 people had been killed by motor cars in the city of Toronto. I wrote the present minister about this the first day he was in office, and I hope he will look into this matter during the recess of parliament. This is a grave situation—nearly ten times the number of

Supply-Justice

men killed in the one city, in motor car accidents, in one year, than the number killed—eighteen—in the battle of Queenston Heights. Another matter which I should like him to take up is the one to which I referred last Saturday, the amendment of the Judges Act. It is too late to do anything with it now, but this amendment would prevent judges serving on commissions, and also require judges, in the decisions given by them, to follow the decisions of the court of final appeal.

The Attorney General of Canada appoints the county court judges, the high court judges and the supreme court judges. The provinces have control over the organization and administration of the courts, but the jurisdiction is concurrent. The judges are federal officers so far as the criminal code is concerned, and other federal matters relating to the federal power have been placed under their jurisdiction. They are also provincial officers. There are so many judges either away sick or doing war or commission work that the courts in Ontario have become congested. In the high court trial division, which consists of twelve judges, practically all the work is being done by six; some of the judges have not done any work for a long time. It is unfortunate, and I think the time has come when no more judges should be released for commission work

In connection with this particular vote I may say that we have always had a very well administered department and that it possesses the confidence of the people. You, Mr. Chairman, as a lawyer of vast experience, know how difficult it is for lawyers and litigants when, owing to the unforeseen length of a trial in some other part of the province, the trial judge is not available at the time next assigned to him. The frequency with which of recent years judges have been drafted from their judicial duties to undertake all kinds of extraneous work impairs the efficient administration of justice and causes congestion in the law courts. In any case, the com-missions to which they are appointed are largely fact-finding bodies only, duplicating the efficient powers and functions of parliament, of the committees thereof, and of the many outside boards of recent innovation in war work, and furthermore they are a costly adjunct to good parliamentary government of the people, by the people and for the people, cause delays and interfere with parliament's right to immediate solution of social and economic problems of urgency to good government.

Thus, as I say, a system has been gradually built up in Canada of judicial commission government. This tendency was discerned by the British bar association and many other such organizations. The time has come when the bar associations should have a great deal more to say than they have at the present time in the appointment of judges.

I have dealt with the high courts. Now come to the county courts. In the county of York we used to have only three county court judges. One is still alive-Judge Morson, a very able and well-beloved judge. Some hon. members, among them the hon. member for Essex East, were law students when he was an active member of the bench. There are now three or four county judges trying to do his work. Some county judges are on blackout work and do nothing else; others are on rentals administration; still others are engaged on commissions. Some of the appointments to the bench in the county court are purely political. I hope that the new minister, who is a distinguished member of the bar, will give due consideration in connection with appointments to the representations made by the bar associations and others

As regards another branch of the service, that connected with the penal institutions, the minister may be described also as the home secretary of Canada. I think the items in this connection had better be taken together; it would save a lot of time. I trust that in the recess of parliament the minister will have some time to devote to the representations of the \$600,000 prison commission which was appointed by this government, especially with relation to young offenders and the Borstal system. Many of the young people got into penitentiaries during the depression. There was no work for them to do; they rode the rods; they were sent down as vagrants, perhaps escaped from custody, and two years or more were tacked on to their sentences. Some of them had never been in trouble before. These institutions are not all they should be. A shake-up is needed. I hope something will be done about the Borstal system and that the public will get better value for its money.

I congratulate the minister on his law officers. One of them whom I know, Mr. Varcoe, is a very fine citizen, as was his father before him. He entered the university of Toronto and is a distinguished graduate thereof, having attended also Harbord collegiate, and was brought up in the service. He is a very good man.

[Mr. Church.]

A word with regard to the institution of prosecution. Under our judicial system the enforcement of the federal law is on the attorneys general of the provinces, not on the Minister of Justice. The enforcement of all federal law, prosecutions for infractions of those laws, all directions to the crown attorneys, comes directly, and rightly, under the control of the provincial attorneys general. I trust that the minister will bear this matter in mind, and the gravity of the motor car peril, and will also give consideration during the parliamentary recess to the representations to which I have referred.

Mr. MacINNIS: As members of the committee know, a special parliamentary committee dealing with the defence of Canada regulations sat during the session and made a report, which has been tabled. I should be glad if the minister could see his way clear to indicate the attitude of the government on that report, since it is not likely that it will now come up for debate in the house. I am not asking for a lengthy statement by the minister, but before the house adjourns I should like some information as to what is to be the attitude of the government to this important matter.

Mr. HANSON (York-Sunbury): I also wish to raise my voice in connection with this matter, but to confine my remarks to one recommendation of the committee. I have no desire to have a debate.

The report of the committee will be found in the Votes and Proceedings of July 23, page 595, and I draw the minister's attention to the following recommendation:

1. That paragraph 2 of regulation 39B be revoked and the following paragraph substituted therefor:---

(2) It shall be a defence to any prosecution for an offence against regulation 39 or 39A. to prove that the person accused intended in good faith merely to criticize or to point out errors or defects in, the government of Canada or any province thereof, or either house of parliament of Canada or any legislature, or the administration of justice or the conduct of the war.

And then the following sentence:

The only material change in the above paragraph is the addition of the words "or the conduct of the war".

I had the pleasure of listening to Sir Norman Birkett when he addressed the committee and answered questions, and I was not only amazed but delighted at the evidence of liberality which was exhibited by him in connection with the operations of the regulations in England. I suggest, with respect to this one item, that the minister give some clear indication of the government's policy with regard to prosecu-

tion of persons on allegations that their utterances might interfere with the conduct of the war. I have read, with a keen sense of revelation, of the effect of the regulations as they stand now, the judgment of Chief Justice Robertson in the case of Rex v. Stewart. On the basis of that decision, everyone will appreciate how all-inclusive this section is, and it must be remedied. It is a very arbitrary section. Furthermore, the government itself in a recent prosecution has recognized the injustice of the application of the section.

I do suggest to the minister-and I am not going to labour the argument-that he should give some reassuring statement to-day that the recommendation of the committee in that regard will be speedily carried out, if it has not already been carried out. The government has power to do it by order in council. If the government does not change this regulation, public opinion will continue to revolt at the idea of enforcement in a given case. I admit that public opinion sways back and forth. In the early stages of the war, as in England, there was a demand for the internment of everyone against whom there was the slightest suspicion, and public opinion went to the other extreme. There is a happy medium between the two. The department should not be swayed too much by public opinion, but when it is demonstrated that public opinion is right, as it was when the government withdrew the prosecution against Colonel Drew-not on the grounds stated by counsel, which were trivial and wholly untenable, and indeed were the laughing stock of the whole country-

The CHAIRMAN: Order. I have given a certain latitude and I am willing to continue to do so. It is out of order to refer to a debate which has already taken place in the house during the present session, or to a report which has been tabled in the house and in regard to which a motion for concurrence is pending—

Mr. HANSON (York-Sunbury): There is no motion.

The CHAIRMAN: There is the possibility of a motion. The report has been tabled.

Mr. HANSON (York-Sunbury): But there is no motion.

The CHAIRMAN: Order, please. It is irregular to refer to a report on the estimates of this department. Standing order 58, paragraph 2 is clear. We have to limit the discussion in supply to the item before the Chair. The leader of the opposition has not so far abused the latitude extended to him, but he was on the verge of doing so and of engaging in a general discussion of the report of the committee on the defence of Canada regulations or of the Drew incident, and in order to mete out to all hon. members the same measure of justice I must now apply rule 58 more stringently.

Mr. HANSON (York-Sunbury): I have no desire to pursue the matter further. As a matter of fact, I have said all I intended to say.

Mr. COLDWELL: May I call attention to a matter—

Mr. CHURCH: On a point of order, may I respectfully suggest—

The CHAIRMAN: There is nothing before the Chair on which a point of order can be taken. The leader of the opposition has agreed with the ruling of the Chair.

Mr. COLDWELL: I too should like to say something about the defence of Canada regulations and the administration of justice thereunder.

The CHAIRMAN: That would be out of order.

Mr. COLDWELL: But this item is departmental administration, \$156,750.

The CHAIRMAN: If the hon, gentleman will look at page 90 he will see the details of expenses involved. Under rule 58 we must adhere strictly to the item and these details.

Mr. COLDWELL: I will bow to your ruling, without quoting the rule.

Mr. MacINNIS: Would the minister make a statement, and if it is not in order on this item, I should like the chairman to indicate the item under which it would be relevant, on the point that has been raised. I should be glad if he would do so.

The CHAIRMAN: I have no objection to the minister making a statement if he chooses to do so. It is out of order, but I assume that he has unanimous consent for a short statement on the point raised.

Some hon. MEMBERS: Agreed.

The CHAIRMAN: It is in the discretion of the minister.

Mr. ST. LAURENT: I desire to give the house all the information I can upon any matter within the competence of the Department of Justice. I have listened to four or five observations from various sections of the house and I should like very shortly to deal with them.

COMMONS

Supply-Justice

First of all the hon. member for Rosetown-Biggar (Mr. Coldwell) referred to a recent case in which a man was released, as he apparently understood, from a penitentiary and made some statement in which the premier of a province concurred about conditions there. The hon. member is under a misapprehension. The person in question was in a provincial, a local gaol, and he was there because of the recommendations that were made in connection with the defence of Canada regulations last year. I do not know whether it was part of the report, but it was a recommendation that if anyone were being detained under regulation 21, he should in the first instance be lodged in a local gaol until he decided whether or not he would object to internment, so that being in the local gaol he could the more easily communicate with counsel than if he were at once removed to an internment camp. The person to whom the hon. member referred was arrested on an order for detention which had been made in 1940 and which it had not been possible to execute before that because the person against whom it was directed had not been available. Apparently he had been in hiding. When the order made in 1940 was executed he was, in compliance with the recommendation of last year, lodged in the local gaol.

Habeas corpus proceedings were taken by his counsel, and the pertinent dates are these. He was detained and placed in the local gaol on April 4. On the 14th habeas corpus proceedings were instituted and they were not disposed of until May 15. In the meantime, on April 24, his counsel had filed objections against his detention. These objections were not referred to the advisory committee while the proceedings on the habeas corpus writ were pending before the civil courts, but as soon as they were disposed of the file was placed before the advisory committee to deal with the objections. That case was involved with one other in which proceedings for violation of the National Registration Act had been instituted and the same counsel was appearing for the two persons. Trial against one of them was proceeded with and there has not yet been a decision by the judge who took the case under advisement. Counsel for the person who was recently released on compassionate grounds had obtained leave to file a written brief. These advisory com-mittees have I think been taking some time to come to a conclusion precisely because of the publicity in the newspapers about the kind of report that was to be made by the committee of this house in connection with the defence of Canada regulations. It is unfortunate that so much time was consumed, but I do not think there is anything which [Mr. St. Laurent.]

shows that there has been undue delay in the Department of Justice. The delay was unfortunate, but was the result of the proceedings adopted by counsel for the man in question.

Mr. COLDWELL: I used that as an illustration; I did not intend to raise the question in that particular case. I am more interested in what the government intends to do with regard to the institution of prison reform and possibly a commission to control the penitentiaries.

Mr. ST. LAURENT: That is the point I was coming to next. On February 25 a return was tabled showing that thirty-eight of the recommendations of the commission have been implemented, and to what extent. Since that time a further recommendation has been dealt with, having to do with the inspection of penal institutions. I wish first to state what we have done and then why up to the present time we have not been able to go further.

There was criticism in the royal commission's report that on points of sanitation, nutrition, health and medical service there was much to be desired in a number of the institutions that the shops or industries in the institutions were not well organized, from the point of view either of training or of production, and that the penitentiary farms were badly managed.

Some months ago we arranged with the departments of Health, Labour, and Agriculture to constitute committees of representatives of each of these three departments to inspect the penitentiaries in the respective localities. Committees were appointed by them and we have received reports from some of these committees. We are having all the penitentiaries inspected, and have invited recommendations from these committees. Within a very short time the inspections will have been completed and the recommendations made.

These committees were asked to inspect and to report upon such improvements as might be made without the expenditure of large sums of money. When I came to the department one of the first things I did was to try to familiarize myself with the recommendations of the commission. I found that fully to implement the recommendations would require the expenditure of very large sums of money for additional construction. At this time it is not possible or practicable to consider the construction of additional penal facilities. Money has to be used for other purposes, and the material is not available for any but essential and urgent purposes.

The appointment of a commission was linked up with the new system that was recom-

mended. A commission is not really necessary for the administration of the penitentiaries in their present condition. The leader of the opposition was inclined to consider as evasive the answer given at one time, by my predecessor, that he had not found proper persons to appoint to his commission. I have seen the files and correspondence with several persons in that regard, covering a considerable period. The candidates the minister had in mind did not desire to accept under the conditions set out in the report. I am not saying that had there been advertisements and a call for tenders, something of the kind, it would not have been possible to find commissioners. But the minister evidently was anxious to get a proper commission. He considered a certain number of names and corresponded with some of these gentlemen, but was not able to arrange for the kind of commission he desired. Since I came into the department I have not had time to give this matter the kind of consideration it requires before one would feel disposed to come to the House of Commons and recommend-or defend -the commission appointed.

I have had frequent representations from members of the bar and others interested in penology. I think I may say that I have always given those recommendations sympathetic consideration, and that if I have any responsibility, when there is a change in the financial situation and materials are available, I shall have projects to recommend to the House of Commons. But in the meantime we have endeavoured to carry out to the fullest possible extent the recommendations of the commission that would not involve large expenditure or substantial change in the set-up.

The leader of the opposition referred to debates in this house about the situation in the penitentiaries, and said he did not think the situation was as bad as it had at times been painted. Fortunately there is no one in this house who has first-hand information as to what goes on in the penitentiaries. From the reports I get the situation can be improved by improving the methods of penology, but the system that exists is, I think, being competently administered. Every time there has been any complaint from any hon. member or anyone else about some incident in the penitentiaries it has been carefully investigated. The endeavour has been to have the investigation made by someone not connected with the Department of Justice, by someone selected from some other department. It was following that line that we requested and obtained the appointment of these committees from the departments of Labour, Agriculture, and Health, to secure a report upon existing conditions.

I do not think there is anything more that I can say at this time, unless some special question is suggested.

Mr. COLDWELL: My recollection is that the commission made some eighty-eight practical recommendations regarding our penitentiaries, the principal one of which was undoubtedly the appointment of a commission to supervise the entire system. The startling increase in the incidence of crime in this country over the past fifty years, particularly among young people, is something that should make us think. As a matter of fact during the past ten or fifteen years crime in Great Britain has decreased.

Mr. MARTIN: Certain types of crimes.

Mr. COLDWELL: Yes, different types of crimes; but it seems to me that one of the causes of crime lies in the fact that a large number of young people, in their teens, are convicted of crimes and sent to penitentiaries, where they associate with hardened criminals, often with degenerates, and as a result they come out as confirmed criminals for life. The commission which inquired into our penitentiaries drove home that point very thoroughly, as I remember it, though I have not the report before me and have not looked at it for some time. It seems to me we need to go into this matter thoroughly, even in war time, and perhaps particularly in war time. With so many women war workers we find this situation: that while the fathers are overseas or away, the mothers are at work and no provision is made for the care of the children. As a result we may have, if not during the war, probably after the war, an increase in crime owing to present delinquency which may later result in crime.

It seems to me that we need to reform rather than punish. A year or two ago, I have forgotten just how long, I had the opportunity of a long personal discussion with Mr. Patterson, his majesty's commissioner of penitentiaries throughout the British empire. I am not going into all the matters we discussed with regard to prison reform, but one thing did impress me. Knowing that I was born in the county of Devonshire, he said, "There is one place I should like to pull down at once, if I could; that is Dartmoor, and all places like Dartmoor. Those are prisons of the old type, and we are never going to get rid of crime as long as we punish people as we have been punishing them, in prisons like Dartmoor." We have in Canada prisons which in some respects are like Dartmoor, and I should like the minister to give consideration to all eightyeight of the recommendations of the commis-

sion and particularly the principal recommendation, the appointment of a proper commission qualified in modern penology.

I quite understand that the former minister of justice may have had some difficulty in finding suitable persons, but there are suitable persons who can be secured. They must be different from some of the people who are dealing with crime and criminals to-day; that is to say, they must regard crime in some instances as an incurable disease, to be treated accordingly, and in other cases as a grave delinquency, and treated accordingly; and try to reform the individual. It seems to me we could get people sufficiently progressive in their outlook with regard to crime to act upon such a commission. I would not suggest that we advertise; we could not, but if a careful survey of this country were made I am convinced that socially minded people will be found with the breadth of vision and the soundness of heart to undertake this important work. I wanted to take this only opportunity we shall have this session of impressing upon the minister my view that one of the most important recommendations ever made to this house was contained in that report, and that the government and the minister should act upon those recommendations, perhaps not all of them but at least the principal ones, at as early a day as possible.

Mr. ST. LAURENT: The hon. member will be glad to know, I am sure, that the population of the federal penal institutions has decreased by something over 600 since the outbreak of war, and by almost 400 in the last year. The matter of penology is not so simple here, because the proper handling of the situation might involve constitutional changes. Only those who go to the penitentiaries, that is to say only those who have been sentenced to two years or more of detention, come under the jurisdiction of the federal authority, and to do the very laudable work the hon. member has in mind naturally there would have to be sooperation on the part of the provinces, because it is not so much in those who receive long sentences that criminal habits are likely to be fostered by contact. Certainly the matter will have to be seriously considered, and I think reforms will have to be discussed with the provinces and made in such a way as to cover the whole field of penology.

Mr. MARTIN: There is one matter on which I invite the minister to make a general comment. This matter possibly should have been considered by the committee dealing with the defence of Canada regulations, but that was not done. I refer to the general [Mr. Coldwell.]

problem of espionage. This continent was amazed recently to learn of the effective work done by the Federal Bureau of Investigation in the United States in regard to the apprehension of eight persons who had come directly from Germany to do sabotage. Though the matter is still before the Supreme Court of the United States, in the language of Mr. Justice Frankfurter yesterday there could be no doubt of what were their intentions. The fact is that these eight saboteurs came to this continent and were landed on the shores of the United States. It might be reasonably presumed that these eight were but a portion of the complete complement, the full number of which we do not know. I do not ask the minister to give the committee details of the steps that have been taken to deal with situations like this, in so far as the reorganization of the mounted police is concerned, but I do think the house and the country expects from the minister a statement as to whether or not any of these saboteurs have been apprehended in Canada, or in any event a general assurance as to the steps that are being taken in the event of their coming here.

Mr. ST. LAURENT: With respect to this recent incident I can say to the house that the Royal Canadian Mounted Police, the British Security Control Service and the Federal Bureau of Investigation are in very close and constant contact in connection with these problems, and no one has been found here in Canada who would appear to be of this group of which eight have been apprehended in the United States. Immediately after they landed in the United States the information was sent to all points in Canada where Royal Canadian Mounted Police are stationed, and a very careful investigation has been made in each locality.

That brings me to another point with regard to which the leader of the opposition put a question some days ago, and with respect to which I think I should make a brief statement. As I said a moment ago, these intelligence services are all in close cooperation, and frequently exchange information and recommendations. A year ago the heads of the British security control measures were here, and after their discussions with this government order in council P.C. 6441 of August 20, 1941, was passed, providing for the creation of a security control service for Halifax.

Some time ago, early in June to be exact, Sir Cannop Guthrie, chief of the British security control measures in the United States, and Brigadier Stratton, who is in charge of security services in the United Kingdom, visited Ottawa. They had previously visited Halifax and other points in Canada. A conference was held, and was attended by the ministers and other representatives of the Department of Justice and of the three armed services. The manner in which intelligence work was being done in Canada was fully discussed, and it was pointed out that from the time of the outbreak of the war up to the present, not one spy had been arrested on Canadian soil. The gentlemen connected with the British service were inclined to believe that that was not because there had not been any spies. They were inclined to the view that there must have been some here, that if there were not some here now there must have been some at some time, and that if we had not succeeded in finding them or picking them up it was perhaps because our services were not sufficiently extended.

After a long and full consideration of the whole project, and after we had been told about the kind of system operating in Great Britain, in some of the dominions and in the colonies, it was suggested that we should have connected with the Royal Canadian Mounted Police a security control body. The recommendations of this committee were taken next day to the war committee. Of course I cannot go into details, but the outcome was that on July 14 order in council P.C. 6073, which has already been tabled, was passed. This order in council provides for a possible security control branch of the Royal Canadian Mounted Police of as many as 700 operatives, at an initial cost in the first year of \$1,458,000. When the system has reached full development, in the event of its being carried to that point, this amount is to be taken out of the two billion dollar appropriation for war purposes, because it is regarded as something essential to the successful prosecution of the war.

Mr. MARTIN: It is to be under the control of the commissioner of the Royal Canadian Mounted Police?

Mr. ST. LAURENT: Under the control of the commissioner of the Royal Canadian Mounted Police, but to be formed in groups of sixty, progressively.

Arrangements were made that two officers who had been active in forming the British security control service would come out here to instruct the first group. It was represented to us that there would be a course of instruction of not less than six weeks as to the methods which have to be adopted to carry out the purpose for which this is formed. The two British officers have now arrived, and the first group is being formed. One of the difficulties is that of finding competent men,

Supply-Justice

under our present man-power situation, to do this work. We were informed by Brigadier Stratton, who has charge of the similar service in the United Kingdom, that over there practically all the operatives were taken from the armed forces. The commander of a unit in the armed forces would inform his unit that so many men were required for such service. Those having special qualifications would volunteer, and from those volunteers the men would be selected. The intention would be that those carrying out this work would have army allowances and army pay.

The officers may not all come from the armed forces, and it may be that all the men will not come therefrom. The Minister of National Defence is reluctant to release many men from the army for this work, but did agree that his share of the first group of sixty would be supplied, and that he would then see, from the training these men got and the work they were going to do, whether he would consider it less or more important than the work the men in the army are already being prepared to do. It was suggested that officers might very well be lawyers who had had criminal practice, and who would direct the squads of this security service. That is the manner in which the service has been organized in the United Kingdom, and we were informed that it is proceeding efficiently and successfully.

The rates of pay and allowances provided will be comparable to army rates of pay and allowances, and those who will enlist for this service, if they are lawyers who have had criminal practice, will be making very much less than they might expect to make in the exercise of their practice.

Here we did not know very much about this special branch of the service, but we were impressed by the information we got, and as a result the first group of sixty is being formed. The two British officers are here to give that group instruction. Though the order in council was passed for the whole scheme, the intention is to go ahead progressively, and to proceed as the efficiency may be shown to us from the results obtained—I do not mean results obtained in actual operation, but the results we can anticipate from the kind of training given to these men of the first group.

The intention is to have a system which will enable us to make a check on everyone entering or leaving the country. The Canadian body would be in close touch with M15 in the United Kingdom and the similar organization in the United States. Information would be constantly exchanged, and we were informed that in that way we would be filling what was looked upon as a gap, because

of the fact that we did not have an exactly similar organization in Canada to that which exists in the United Kingdom, in some of the dominions, and in all the crown colonies, and which also has representatives in most of the ports of south America and a great many places in the United States. In this manner information is being gathered from all these sources and is made available to all the operatives.

Mr. MARTIN: Is there a liaison body between the Royal Canadian Mounted Police and the Federal Bureau of Investigation?

Mr. ST. LAURENT: Yes. We have an officer in Washington, and there is an officer of the Federal Bureau of Investigation in the Justice building here in Ottawa. There are daily exchanges between the Royal Canadian Mounted Police and the Federal Bureau of Investigation. There is an almost constant interchange of information.

The CHAIRMAN: May I invite the cooperation of hon. members to carry on with this debate in an orderly fashion. I have given a great deal of latitude. The first question asked by the hon. member for Rosetown-Biggar (Mr. Coldwell) was in respect to penitentiaries. The item covering penitentiaries comes later. The question asked by the hon. member for Essex East (Mr. Martin) had to do with the Royal Canadian Mounted Police. The item covering the Royal Canadian Mounted Police also comes later. We will have a duplication of discussion if we do not stick to the item before the committee. I appreciate that we are in the dying days of the session and perhaps a little latitude should be allowed, but I ask the cooperation of hon. members to stick to the items as much as possible.

Mr. COLDWELL: This item covers departmental administration, which would take in many things. When we were discussing the estimates we understood that if as many matters as possible relating to a particular item were inquired into at the same time we might get through. Otherwise we might have to rise on every item. I have a number of questions to ask and I could rise and make a speech on every item, but I do not want to do that.

The CHAIRMAN: The hon. gentleman is quite right, provided that it does not give rise to a general discussion on the points raised. A request for general information is almost always allowed, but if it gives rise to a discussion such as we have had this morning, it is not in order.

[Mr. St. Laurent.]

Mr. MacINNIS: I was under the impression that I was in order, but those who were out of order have had their questions answered. I asked the minister if he would indicate to the committee the attitude of the Department of Justice, and the government if he cares to, in connection with the report recently presented by the committee on the defence of Canada regulations.

Mr. ST. LAURENT: One point was raised by the leader of the opposition with respect to the insertion in subsection 2 of regulation 39 of the words "or the conduct of the war." I am prepared to recommend to His Excellency in Council that those words be inserted. I have no quarrel with the language in which the general body of the recommendations is expressed. But the publicity which has attended this matter has created the impression that if the ban on the communist party in Canada is lifted it will be equivalent to legalizing the communist party in Canada. The impression also seems to be abroad that this is the only country among the allied nations where communism is illegal. I think it would be most unfortunate to do anything which could be looked upon by any part of the Canadian people as a blessing on the communist party by the Canadian House of Commons. In my view that would be entirely incorrect. I hold the view that the real communist doctrine is illegal here regardless of anything contained in the defence of Canada regulations, just as it is in the United States and in the United Kingdom. I hold the view also that not everyone to whom the label of communist has been attached participates in those views.

All I can say at this time to the hon. member is that the matter will certainly receive careful consideration. So far as the Minister of Justice is concerned he has no desire or intention of detaining anyone because he entertains certain political opinions. It is only because of action that may be looked upon as subversive that any repressive measures can properly be adopted. It is only because of action that could be looked upon as subversive, it is only because of the fear that further such action may be taken, that any one should be continued in detention. The implementing of the report is something which will have to be considered by His Excellency in Council, who makes the regulations The Department of Justice will endeavour to carry out the defence of Canada regulations in such form as they may happen to be at any time. That is the function of the Department of Justice; it is the function of the governor in council to make the

regulations and modify them from time to time as occasion may require. Personally I should be most reluctant to recommend to the governor in council anything which might be interpreted by the country at large as legalizing real communism in Canada.

Mr. COLDWELL: I hold no brief for the communist party, but I think originally it was a mistake to ban it, and I have said so on many occasions. I hope the minister will give serious consideration to this matter. Apart altogether from what is supposed to be the point of view of the communist party, it seems to me that the widest possible discussion should be allowed even in war time.

The CHAIRMAN: I would point out to the hon. gentleman that I asked the leader of the opposition to desist from discussing any matter covered by the report of the committee. The hon. gentleman had put a question to the Minister of Justice and I thought it might be advisable for the committeee to have the minister's answer, but I would not like this to develop into a general discussion.

Mr. COLDWELL: I am not going to discuss the report of the defence of Canada regulations committee. As the minister probably knows, I have placed a number of questions on the order paper and have sent him some articles privately which had come to me. They indicate that while this party is being banned on the ground that it is a danger to the state, we have in our midst men who have and who are promoting fascist ideas and who I am told are in the government's employ. I am going to be specific. For instance, there is a man by the name of Charles Crate who edited a fascist newspaper published in Winnipeg, called the Thunderbolt. I remember on the front of one issue there appeared three symbols described as the trinity destroying the country-the Jewish symbol, the symbol of the Roman Catholic church, and the symbol of the Masonic order. I believe I have that copy in my files. This man is still writing to people saying that the root of the cause of this war is the Jewish problem. He is raising race prejudice and hatred. If you listen to Vichy and nazi broadcasts you will find that that is precisely what they are saying in French, in an effort to indicate that this country is something other than we believe it to be. That man has been in the employ of the government.

Mr. MARTIN: Is he now?

Mr. COLDWELL: I do not know whether or not he is still with the government. I am

Supply-Justice

told he was formerly the editor of the *Thunderbolt*, which I have read and which I consider the most vicious thing I have ever seen. I have never seen anything more vicious issued by the communist party relating to the overthrow of the state than I have seen in the *Thunderbolt*. I draw this matter to the attention of the minister because this may be the last opportunity I shall have. The series of questions I have placed on the order paper . will probably not be answered, but I have sent some material relating to this man to the minister and he will probably receive it to-day.

Mr. ST. LAURENT: All I received from the hon. member were some clippings from the *Canadian Tribune—*

Mr. COLDWELL: That is right.

Mr. ST. LAURENT: —with which I was not tremendously impressed. I can tell him that before I received his letter the matter of Crate was under investigation. I had received a report on the 20th of July from the commissioner of the Royal Canadian Mounted Police in that connection, and the report was to the effect that the investigation had been constant since 1939 in respect of this man, that all his activities were known to the police, and that they had not yet found sufficient to justify proceedings.

Mr. COLDWELL: I am not asking that the man be incarcerated. I would say that, even yet, he is entitled to a fair trial, as every other individual is. The public accusations made against him are of such a nature that I think they would warrant careful investigation, and not give the impression that we are making chalk of one group and cheese of another.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Progress reported.

INCOME WAR TAX ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 115, to amend the Income War Tax Act.

Hon. R. B. HANSON (Leader of the Opposition): I desire to make a few brief observations on this bill. It is I think a matter of the most profound regret that a bill of this scope and character should have been introduced so late in the session. I do not mention that in any spirit of scolding. I realize the difficulties that must have been experienced by the draftsmen, the officials and the minister in preparing this bill, because

Income War Tax Act

in effect it is to a large degree a new income tax measure and its preparation must have involved the burning of a good deal of midnight oil. The fault I think lies in the fact that the budget was brought down at too late a stage in the session, and for that, of course, I think the minister must assume responsibility. That he has an excuse, if not a complete alibi, is I think probable; nevertheless, as I said in the address I made on the budget on June 30 last, a budget of the character, the importance, the magnitude and the scope of this budget should not have been left until we were near the end of the sixth month of the session. I speak on that point not only because of the effect upon the membership of the house-because after all I suppose our time is public time; we are public servants and therefore at the disposal of the public-but because of the effect upon the taxpaying public who are called upon to make the greatest readjustments. Considerable hardships will result from the delay by reason of the fact that six months of the calendar year, which is usually the fiscal year for individuals and for most corporations, had elapsed before the taxation proposals of the minister were brought down to parliament and made public. To readjust themselves to the situation which has been created by that delay will be a task of considerable difficulty to the taxpaying public. When the measure is put into operation I hope that the Department of National Revenue will give consideration to the difficulties which are bound to arise because of that fact, and to individual cases of hardship wherever possible, in order that taxpayers may properly adjust themselves to the aggravated position which has been set up by the government's delay.

I do not think that even yet the Canadian public realize the implications of this taxation measure. I do not think that the salaried people, the wage earners in the lower brackets, vet realize its implications. I am not able yet to convince myself that the taxation imposed on the lower incomes, on wage earners below a certain scale, is not, despite what has been stated in the house by the minister and by at least one of his supporters, more difficult for them than it was before. From the analysis I have been able to make of these taxation measures I should say that the burden upon the lower income tax brackets has been tremendously increased, and I believe that is the reaction of the country.

Nevertheless, I understand the minister's attitude and the attitude of the administration. There has been a huge increase in the [Mr. R. B. Hanson.]

purchasing power of the public, and especially in the purchasing power of those in categories below \$5,000. It is the minister's expressed desire to capture as large an amount as possible of this increased purchasing power in order that he may avoid the dangers of inflation, the danger of over-expending on con-sumer goods, with the consequent tendency to violate the price ceiling. Whether it will have that effect I do not know, but that undoubtedly is the intention of the measure, and I should think, judging it from the standpoint not of an economist, but purely of a layman who is endeavouring to give his best study to a measure of this kind, it would have that effect. At all events, whenever an effort was made in the resolution stage to alleviate some of what would appear to me at least to be cases of obvious hardship, the minister has fallen back on the formula that the country just needs the money and has to have it, and with that in many instances we have had to be content.

I say that not with any desire to scold the minister, but rather in order to point out to him what I believe to be the public reaction to this measure, and that is that the changes are exceedingly heavy and come with lightning rapidity. I know that the tempo of our war expenditure has increased. I know the commitments of the government have been based, not upon what they have in the treasury but upon what they deem to be the measure of production for war purposes which they think the nation should attain. Nevertheless in a small nation of eleven and a half million people there must be some limit to the policy of pay as you go. I know that statement will not be popular in some quarters. There are people who think that that policy, carried perhaps to an exaggerated degree, is the soundest policy. But I repeat what I have said earlier in the session, that something must be left for the rehabilitation of this country, and for the rehabilitation of industry. If this nation is to survive we must have some nest-egg left for . the post-war period.

Therefore I suggest to the minister that, before the next session comes around, when he frames his next budget, he give consideration to what I suggested a short time ago, namely, that posterity has a right to assume a substantial portion of the cost of this war. This war is being waged for our individual and national safety, and as much for posterity as for the present. In this war we are seeking to end war. If we are to do so, those who come after us should bear their fair share of the burden. What that fair share is I am not at the moment in a position to indicate, nor do I desire to do so.

Income War Tax Act

This measure of taxation came with staggering suddenness and is imposing a staggering burden on the people of Canada. Because of that fact it is incumbent upon the government to see that for every dollar of expenditure a dollar's worth of value is obtained.

There were brought down in this house yesterday supplementary estimates carrying appropriations of some \$23,000,000, just on the eve of the Saskatchewan election. I suggest to hon. members that there is some connection between those two things. The people of Canada are having a staggering tax bill laid upon them, and at the same time comes the announcement of the payment of \$23,000,000 in bonuses, largely to the people of Saskatchewan when a Liberal government is about to appeal to them for their franchise.

Mr. MAYBANK: Would the hon. member permit a question? Is there one item in the supplementary estimates to which he will take exception?

Mr. HANSON (York-Sunbury): It is not necessary to answer that question. I am talking about the timing of the announcement. We are still playing politics with the people's money. That is the point I am making. We are trying to bribe the people of Saskatchewan with the taxpayers' money, taken from them under a staggering tax burden. The announcement of that supplementary estimate at this time undoubtedly is to influence the decision of the electors of Saskatchewan at the approaching election. Surely a time of war, and when this country is staggering under this great burden as a participant and active belligerent in the greatest war in history, is no time for political gestures of that kind. The people of Canada ought to mark their disapproval of that sort of thing.

Mr. MACKENZIE (Vancouver Centre): And of political speeches such as the hon. gentleman is making now.

Mr. HANSON (York-Sunbury): I do not know anybody who was more guilty in days gone by of making political speeches than the hon. member.

Mr. MACKENZIE (Vancouver Centre): Not in war time.

Mr. MAYBANK: There was the same announcement last year.

Mr. HANSON (York-Sunbury): But there was not an election. The timing of this announcement is most significant.

Mr. ILSLEY: It was announced several months ago.

Mr. HANSON (York-Sunbury): But the estimates are brought down just as our

minister of politics, the Minister of Agriculture (Mr. Gardiner) reaches his native heath. Make no mistake about it. There is a political connection between these two things. I think the time has come, as I said a week or two ago, when the mental attitude of hon. members of this house towards political partisanship, towards partyism, should be changed, at least for the duration of this war. The synchronizing of these two things did not just happen: they are in a measure cause and effect. It is wholly deplorable that with such heavy taxation the announcement is made on the eve of the Saskatchewan election with the purpose of influencing the electors of that province to return the Patterson government.

Mr. BROOKE CLAXTON (St. Lawrence-St. George): There are two points I wish to make briefly. This bill undoubtedly affects the lives of the people of Canada to a greater degree than any other legislation of the kind that has been introduced. Hon. members I believe will agree that it is of the utmost importance that such far-reaching legislation should be understood by the people whom it affects. On that account may I respectfully suggest to the Minister of Finance and the Minister of National Revenue that they take into consideration at the close of this session the complete revision and consolidation of the Income Tax Act, so as to make it more simple, clear and understandable than it is to-day. I realize the difficulty of doing so, but it is of paramount importance to all the people that that job be done as soon as possible.

The second point I wish to make follows the one made by the leader of the opposition (Mr. Hanson), that is, that the people do not yet realize the full implications of this legislation. I hope the Minister of National Revenue and others will bring it home to the people by every appropriate means of publicity between now and September when the tax becomes payable. I urge upon them that they use the means and resources adopted in the application of the price ceiling, so that when the people first have salary deductions made they will understand what the deductions are, why they are being made, the consequences to their own income and way of life.

This bill brings it home, perhaps more than any legislation we have yet had, that this is a people's war. The people will bear their full share of the burden better if they understand the taxation and what it will mean to them in advance of its actual incidence.

So that while expressing the congratulations of I believe every one of us to the minister upon the part he has taken in this legislation and in the debate I just bring these two points respectfully to his consideration.

Mr. R. M. WARREN (Renfrew North): I had no thought of taking part in this debate, and would not have done so had I not wondered whether it would be in the best interests of this country to do as was suggested by the leader of the opposition (Mr. Hanson); that is, to pass on to posterity a greater part of the cost of this war. In meeting people I have been surprised at the few complaints I have heard with regard to the burden they are carrying in connection with the war effort. Nothing seems to please them so much as to learn that to the extent of about 80 per cent this country is paying for the cost of the war out of taxation. People are surprised to discover that this is the case. Then when you tell them that in addition Canada proposes to make a gift to Great Britain this year of a thousand million dollars, they are simply astounded, and they are pleased that we as a people are able to carry such a burden.

When I hear anyone suggest that we pass on a burden of debt to posterity I always remember the experience of Renfrew county during our last period of prosperity. During that time the construction of county roads was inaugurated, and the county council adopted the policy of paying for those roads by means of twenty-year debentures. I suppose what happened then in our municipality was happening all over Ontario; these debentures were issued at rates of 5, $5\frac{1}{2}$ and 6 per cent, and for years, particularly during the depression, the burden of that interest has been a tremendous tax on the ratepayers of that county. Instead of paying for the construction of those roads once we have paid for them at least twice. While the roads were being built the people were receiving good incomes, and the cost could have been borne at that time much easier than during the years of depression. I recall that the burden was so great that many of us looked for some way of getting out from under that load. We have almost wiped out that burden now, but I do not believe you could induce a Renfrew county council ever to put their heads in a noose like that again. We learned a lesson through that experience which I think will remain with us for a long time, to avoid long term debentures.

I think the same principle should be applied now. I believe our people are willing to shoulder a very heavy burden, and if they can possibly do so they prefer to pay as they go. That idea is popular throughout the

[Mr. Claxton.]

country, and as long as we are able to manage I believe the minister will receive the general support of the public in that policy.

Mr. GRAYDON: I did not want to interrupt the hon. member as he went along, but I should like to ask him a question. Did I understand him to say that 80 per cent of our total expenditures are paid out of taxation? That has not been my understanding.

Mr. WARREN: That has been my understanding, that 79 or 80 per cent has been paid in that way.

Mr. ILSLEY: Perhaps I can answer the question. During the year just past some 78 per cent of our total direct expenditures was collected by taxation, but that did not include assistance to Great Britain. For the present year, including assistance to Great Britain, the figure will be slightly over 50 per cent.

Mr. P. E. WRIGHT (Melfort): I should like to raise just one point which I mentioned the other evening in connection with the excess profits tax act; that is the incidence of this tax on western agriculture, in that farmers are going to be forced, under regulations passed by the dominion government, to market two crops in one year. This fall we will have regulations limiting the amount of grain that can be marketed, as a result of the lack of storage facilities, which means that a large portion of the crop will be carried into next year. The same thing occurred in 1941, and as a result many farmers had to market two crops during 1942. If that happens again this year a great many farmers will be paying income tax, whereas if they had been allowed to market their crops normally over the two years they would not come within the group of income taxpayers; and they will have all their expenses to pay just the same.

It seems to me that in these cases an injustice is being done. It is just as though the government were to prohibit the payment of part of a man's salary and carry it over into another year, thereby placing him in an entirely different income group. That is what is going to happen this year in regard to many farmers in western Canada, and it will make a tremendous difference to them. When I raised the question with regard to excess profits the minister stated that not many farmers would be affected. I agree that not very many will have a net profit of more than \$5,000, but under our present income tax arrangements quite a large number will be paying income tax unfairly, because of the fact that

under government regulations they are likely to be forced to market two crops in one year. I think the minister should take this matter into consideration and make some allowance in this regard.

Mr. BONNIER: I have been asking for a copy of this bill in French, but there do not seem to be any. I do not see why bills as important as this should not be printed in French as well as in English. I should like to have a copy in French, or I think we should wait until we can get them.

Mr. SPEAKER: I understand that the French copies will be made available later in the day, but at the moment we have none.

Mr. H. R. JACKMAN (Rosedale): Mr. Speaker, we have before us what is probably the greatest and most sacrifice-compelling budget in the history of this country. In order to frame proposals which will produce the revenue and at the same time bring about the least possible suffering on the part of the people of Canada, I believe we should be given more figures in regard to our national income, as to who gets it and particularly as to who has been getting the tremendous increase since the beginning of the war, in order that we may have an equitable scale of taxation.

The minister's budget address contained no reference whatever to any calculation of the national income last year. In last year's budget there were several references to this point, but this year, possibly because of some uncertainty as to the figure, the minister has left us completely in the dark. However, I believe it will be considered a fair figure if I mention \$6,500,000,000 as a reasonable estimate of the national income for the current We are to spend out of that sum vear. \$3,900,000,000 on war expenditures and our peace-time budget. That leaves us with \$2,600,000,000. I know that these are large figures, and very difficult for anyone to grasp. But when I tell the house that \$2,600,000,000 is lower than the lowest point of the depression, the figure for 1933 being the low point of that time, showing \$2,640,000,000, there will be some realization in the minds of our people of just how great a sacrifice the people must make during the current year. We are to be reduced to a level, so far as our civilian expenditures are concerned, equal to the lowest point in the depression. Fortunately that sacrifice and the hardship entailed by it will not be spread as unevenly as it was during the depression years, because we see about us a higher standard of living generally than we did see in the depression years.

Income War Tax Act

However I would suggest to the minister that the figures on national income be computed either by his department or by the Dominion Bureau of Statistics, which functions under the Department of Trade and Commerce, so that hon. members may have some idea as to what the total national income of this country is, how much goes to investment income, how much goes to private enterprise such as farmers and shopkeepers, how much to wage earners and salary earners, and how much to the other brackets in which the national income is ordinarily divided.

Let us find out where the money is and where the increase is going, if there be any increase. And no matter where that increase is to be found, let it bear its fair share of the very heavy burden which must be borne in order to finance this war.

In regard to how much of the war we should pay for currently, it is quite impossible for us to follow the dictates of that principle to which we should like to give adherence, namely, that that which is physically possible is financially possible, and pay the whole cost of the war currently. If we go on under the present system we are bound to find cracks and fissures which will develop, and which indeed may wreck the system. It will result in the same distress of mind on the part of a great body of our people that we found during the depression, when people who were able and willing to work but were unable to get work said that the system was made for man, and not man for the system, and cried out for a change and indeed are still crying out for a change. It is probably for this reason that they are subject to doctrines and theories which are totally unworkable. But if we find that the present financial system, the motive which is its driving force and the whole structure of debts which it entails is to be jeopardized in the attempt to finance such a large proportion of the day to day war costs, then there will be a feeling of desperation on the part of another great section of our people. They will be looking around for panaceas which will perhaps be unsound, and I suggest to the minister it might have been better if in his budget he had leaned more heavily on the possibility of borrowing greater sums from our people rather than taxing them at the high rates proposed in the present budget.

For instance in the United States the present budget, the proposals of which are still under consideration, looks forward to financing about 30 per cent of the war and ordinary expenditures. That perhaps is a low figure for any great country to contemplate. We on the other hand are attempting this year to finance out of our current revenues 52 per cent of our total war costs, peace-time costs, and aid

44561-319

to our allies. It is a very great burden, and one which we would not have thought possible a few years ago. But yet with the tremendous amount of money which is being put into circulation, and the siphoning of part of it back into the taxing system, we are attempting to do what is almost impossible.

I can only wish the minister every success with his proposals, although I must qualify that with the statement I have already made. that I believe them to be unduly high. There is one other point of perhaps some little significance in connection with the changes in the excess profits tax. I may say to the house that the real change in the excess profits legislation is not the increase from 80 per cent to 100 per cent, the 20 per cent being returnable after the war period. That is not nearly so drastic as a slight change in the mechanical or arithmetical method of calculating the excess profits tax, a change which brings into the treasury a very large sum of money, about \$165,000,000 additional. This amount, which will be taken out of industry, means that there will be that much less to distribute. No company can retain now more than 70 per cent of its pre-war profits. That is something a great deal more important than the fact that there is a 100 per cent tax on profits derived from the war.

The fact is to-day that no corporation in Canada can retain for distribution to shareholders or for its maintenance, or for the carrying on of its ordinary corporation activities, more than 70 per cent of its pre-war standard. And the figure of \$165,000,000 additional which is taken by the excess profits tax, leaving aside entirely the 20 per cent which will be refunded to the company, means that a very substantial amount of capital values will be destroyed. One might multiply the \$165,000,000 by twenty, which would be a 5 per cent income rate, and get a very substantial figure. Even if one took \$100,000,000 instead of \$165,000,000 additional revenue, and capitalized that smaller figure, he would find that there would be a destruction of capital value amounting to some two billions of dollars through the change in this method of figuring the excess profits tax. This, I suggest, is not a good atmosphere to create when we want to raise from the people untold millions of dollars in order to finance a war effort. If you put your people in a position where they are going to be worried about their obligations, and if those who are in business and who have obligations at their banks or elsewhere find their collateral values becoming smaller and smaller all the time, then they cannot subscribe to loans, or to act in the very many ways in which they can be helpful in raising money. They are not in a position to give the minister the support they would like to give him.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, there are one or two observations I should like to make on the bill as a whole, a bill which reflects a great deal of care and study in its preparation. I believe however that it still is not satisfactory.

I should like for a moment or two to deal with the question of allowing posterity to pay for the war. It is my opinion that posterity is going to have all the trouble it can take care of without paying for any war we may fight. Posterity within our memories had all the troubles it could take care of. I believe future posterity is not going to be very much more fortunate, especially if the men in charge persist in maintaining the system they have used for the past generation.

I believe the structure on the whole is too heavy. It destroys incentive. There are those who say that we shall be able some time to get our people to the point where they will produce without the profit motive. When that time comes perhaps we shall have some way of providing their livelihood other than through profits which they are able to make by reason of their activities. But until such time as we have some additional means of aiding them in making their livelihoods, I think we must depend entirely on the profit motive to get the ordinary individual to work. I say that this taxation structure will destroy the motive to activity. I think it will be found also to tend to keep people from going into employment. There are far more unemployed people throughout this dominion than the ordinary member of this house or the ordinary individual in this country realizes without giving it some thought. I see no way in the world by which these people can be absorbed into employment unless we allow a certain amount of purchasing power to remain in the hands of the people who would employ them. We are taking that purchasing power out of the hands of these prospective employers, and we shall find a large percentage of our people continuing to be unemployed and therefore unable to do their share in connection with the war effort.

Not enough care has been taken to give the debtor and the creditor a fair deal. Why should we be so sympathetic for the mortgage and life insurance companies and disregard utterly the tens of thousands of smaller merchants, even the larger merchants, from end to end of this country? These are the men who stood by those in need during the dire days of the depression; the men who granted credit to impoverished farmers and

[Mr. Jackman.]

suffering tradesmen and other people when no one else would give them credit. As a result of the generosity of these men tens of thousands of people throughout this country were able to make it go, as we say. Now what is happening? Just at the time when there is a possibility of these debtors paying a part of what they owe and giving the creditors a chance to carry on, the minister seizes the money with which they would pay and leaves both the creditor and the debtor to suffer. I submit that that is unjust and unnecessary.

I do not know of any part of this country from which we have not heard outcries of condemnation because Alberta, for example, has realized the necessity of cutting interest rates. The clamour has gone forth that she wished to disregard her debts. The Minister of Finance standing in the position in which he is. is supposed to be the very paragon of virtue with respect to the paying of debts; yet he is putting on a taxation structure which is rendering impossible the payment of debts. Up to the present time he appears unable to see the inconsistency of his own behaviour. I think this bill should be redrafted with the object of allowing a man to keep at least 10 per cent of his income provided it is paid on outstanding debts which he has honestly contracted. By doing that the minister would add to the well-being and happiness of the country. If he could realize how many sleepless nights have been spent by the small business men throughout the country, how many gray hairs have been developed by people who are in debt and who, as a result of this tax structure, see no possibility of ever getting out of debt, he would be led to make some sort of allowance for the repayment of old honourable debts. I do not think that 10 per cent of a man's income would be at all too much. I think the minister would get the money in some other way, probably through the increased prosperity of those who would have outstanding debts repaid. Even though he did not get the money, the country would be so much better off that such a measure would be sound economy.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, I am not going to take up the time of the house at any great length, but I want to say a word or two in regard to this bill, particularly in view of some of the things that already have been said, so that the record may be straight in so far as this group is concerned.

During the many weeks that the budget and the resolutions, and now these bills, have been before the house, I admit that my sympathies 44561-3193 have been with the Minister of Finance (Mr. Ilsley). He has been accused of doing this and that because he needed the money. If he needed the money, he needed the money because we need the money. He was doing and is doing the thing that somebody in his position would have to do for us. That is the way in which it has appeared to me. Because it has appeared to me in that way I cannot allow myself to be too critical, although I am satisfied that this budget will bear quite heavily upon some people.

These are not the people who are paying excess profits taxes; they are not the people who are making profits at all. My understanding of profits is that they are something that somebody or some corporation makes out of the labour of others. No one makes a profit out of his own labour. There is only one reason for employing a person, and that is that you can make a profit out of his labour; that he will produce more than you have to pay him in wages. It is the accumulation of these small amounts that each individual produces beyond what his labour costs his employer that constitutes the profit of the employer. I am not greatly concerned about the profit makers, because we are not going to win this war by increasing profits. I was surprised at what was said by my hon. friend to my left, but not at all by what has been said by my hon. friend to my right. about the necessity of having a profit motive in order that we may provide incentives for people to do things. I should like to ask the people who think that way: what incentive, what profit incentive, do we give the menwho go into the armed forces? Surely when those men are prepared to give their lives. we should be prepared to give whatever property and wealth we have beyond sufficient to enable us to live on the same scale as they are living. Despite the burdensome nature of this budget, I am quite satisfied that the hon. member for Rosedale (Mr. Jackman), the hon. member for Lethbridge (Mr. Blackmore) and myself will be able to live as well as the men who are in the armed forces of Canada, and probably a little better. I do not see where we have any reason to complain. However, I would ask the minister to watch the effect of his budget upon the lower incomes and be prepared to give sympathetic consideration to some of their difficulties, so that when we meet again and another budget is brought down, some easing of their burdens may be brought about.

Mr. CLARENCE GILLIS (Cape Breton South): Mr. Speaker, I should like to bring to the minister's attention a matter which I discussed when this legislation was previously

Income War Tax Act

before the house. I drew the minister's attention to those in non-essential industries who do not come under the bonus regulations which offset the cost of living. I pointed out that it is under the normal tax for the most part that these people are affected, and there are thousands of them in Canada whose wages have been so affected. The cost of living has advanced 15.2 per cent or maybe higher; yet they come under the normal tax. Some special dispensation should be made for that particular group, who have already taken 15.2 per cent more of a load than the average citizen has done. This is a discrimination. It may be an oversight on somebody's part that consideration was not given to them. I do not think that the minister would thereby be backing up on his budget arrangements. Those who make representations to us cannot understand why employees in certain industries should be compensated for the increase in the cost of living, while hundreds of others who happen to be in what is classified as non-essential industry are not. Their employers cannot increase their wages, under the orders in council administered by the wartime prices and trade board; they do not come under the bonus arrangement at all; nevertheless this normal tax affects every one of us. The minister should try to find some way to relieve them. If it cannot be done under the budget, then someone who has the authority should see to it that the wartime prices and trade board, under the administration of the cost of living bonus-and it comes under the minister's own department-should arrange some adjustment in their behalf.

Mr. A. H. BENCE (Saskatoon City): The remarks I have to make arise out of the principle enunciated by the hon. member for Lethbridge (Mr. Blackmore) in the latter part of his remarks as to the payment of old indebtedness. Since this matter was introduced in the house some weeks ago I have had, as I am sure the minister and other hon. members have had, letters in regard to the position of men and women in this country who have entered into arrangements to pay off some of their old obligations-obligations which arose in many cases through no fault of their own. I know one particular instance of what I would call tough luck. A certain man's family incurred a lot of medical bills. His wife had a prolonged illness, which ended in her death. He had a reasonably substantial income, between \$300 and \$350 a month, but he had to make arrangements with his creditors to pay over to them a [Mr. Gillis.]

considerable part of that income in order to avoid their taking legal action. I understand the necessity of reducing ordinary consumer consumption, but is there no way in which exemption could be provided in the case of persons who have entered into binding obligations to pay off indebtedness? After all, the money they are using is not going to buy consumer goods; it is not competing with things which are necessary for the war effort. Moreover, these people are going to be in the uncomfortable position of being besieged by their creditors, and sued. Additional cost

will be placed on their heads, and the little property they have gathered up during the years will be taken away from them under circumstances which are very unfortunate indeed. In the particular case I was referring to there has been no protection at all. The province from which I come has found that its debt adjustment legislation is invalid; in any event, that legislation did not apply to debts which have arisen in the last six or seven years. Under these circumstances the man to whom I have referred, if his creditors get tough—and after all, they have to have their money—is going to be sued and put to a great deal of difficulty and trouble.

Hon. J. L. ILSLEY (Minister of Finance): There are just two or three remarks made by hon. members to which I should like to refer.

The first is the view expressed by the leader of the opposition (Mr. Hanson) that we should load more of the cost of this war on posterity. I want to make it clear, and to be as emphatic about it as possible, that there is no way by which that can be done. To say that there is, is to indicate a lack of appreciation or understanding of the factors in the situation.

Mr. JACKMAN: The emphasis is on borrowing versus taxation.

Mr. ILSLEY: If the hon. gentleman had said, as the hon. member for Rosedale (Mr. Jackman) has said, that we should borrow more and tax less, that is not an impossibility; it is not by its nature impossible. But to shift any part of the burden of a war from one generation to a future generation is absolutely impossible. The cost of a war are the costs in life and in sacrifice of standards of living, of comforts and conveniences and necessities which come to the people who are living when the war is being fought. Those are the costs of war, and they cannot be shifted to those who come afterwards. What can be done is what is suggested,

COMMONS

most mistakenly I think, by the leader of the opposition and the hon. member for Rosedale, that instead of taxing ourselves so heavily we should borrow from each other in larger amounts. Now, borrowing from each other in larger amounts simply means that when the future comes a larger number of persons, or one part of the population, will be paying to another part of the population larger interest charges. That is all it means, and that is not shifting the burden to the nation in the future; it is simply effecting a different distribution of wealth, a different distribution of income, in the future.

I think that the Conservative party, if that is the policy of the party, is making a great mistake. If the leader of the opposition, and the hon. member for Rosedale, who is I assume, influential in framing the financial policies of the opposition, are expressing the views of their party, they are making a great mistake when they advocate a policy of that kind. By so doing they are promoting social inequity and social injustice in the present and in the future. What is most serious about it is that they are saying an appealing thing. because it sounds so plausible and so reasonable to the ordinary person that it really is a shifting of the burden to our children and our children's children, and when the war begins to pinch, when hardship sets in, people say, "There must be some way to avoid this." But there is no way to avoid it. If this nation, when it gets to the limit of its productive capacity, decides to devote a very large proportion of the production of the nation to war, a smaller and smaller proportion of the national production must be devoted to the satisfaction of civilian requirements, and that means hardship; it means reduction in standards of living.

There is no way of financing by which that can be avoided. The only thing you can do is to distribute the burden as equitably as possible, keeping in mind distribution not only in the future but in the present. The only point I have argued, and which this govern-ment has contended from the beginning, is that by taxing as heavily as we can, we are distributing that burden of hardship and sacrifice more equitably than we could in any other way. It may sound strange for me to say this, but in some respects, the member for Acadia (Mr. Quelch), whose views are expressed with ability and force in this house, has a better understanding of these facts than the member for Rosedale. His recent speeches have indicated that he understands the question of taxing as heavily as we possibly can. I do not know whether his views are shared by the

Income War Tax Act

member for Lethbridge (Mr. Blackmore), and it is only from there on that the member for Lethbridge and the member for Acadia part company with me. I just wanted to puncture this balloon, about easing the hardship, which is being floated now by the leader of the opposition and his associates. I would ask them not to do it, because it is fallacious, dangerous and mistaken.

The other point I want to make is of a different kind. The leader of the opposition made another statement to which I take sharp exception, because there is no foundation whatever for it, and that is that the government is still playing politics with the expenditure of government money. I take exception to that statement, not because I am particularly anxious to put the government on a pedestal, to establish for it a reputation for virtue, financial or otherwise; but for this reason. If the people on whom we are loading heavy burdens of taxes took that remark seriously; if they read in the newspapers that the leader of the opposition says we are spending twenty or twenty-five millions to influence the result in the Saskatchewan election, a very bad feeling would be created, and the people whom we are asking to assume these burdens would say, "Oh, well, if that is the way you are going to waste our money, if that is what you are going to do; if you are going to play politics with the money you are borrowing from us and taxing out of us, well then, try and get it. We will try to prevent you from getting it."

That is the seriousness of a statement of that kind. Let me make clear exactly what happened. This policy of a bonus to wheat farmers in the west was settled in February last and announced early in March. It was the corollary, a concomitant of our 90-cent wheat policy. If I remember correctly, the leader of the opposition was in favour of dollar wheat, or at any rate some high price for wheat. If he had had his way the expenditure would have been considerably greater than the expenditure here. But even with 90-cent wheat-and I hope this will not stir up a wheat discussion-we knew, and it was obvious to everyone, that without some inducement to prevent farmers who could grow wheat from growing it, we would have a tremendous surplus of wheat with a good crop. We are going to have a big crop as it is, but we are not going to have nearly as much wheat, nor are we going to have nearly as serious a problem in regard to storage and in regard to finance as well, as if we had several million acres more of wheat than we have.

Income War Tax Act

By the payment of these coarse grain and summer-fallow bonuses, the acreage this year has been kept down very close to the acreage of last year, even though there were millions of acres of summer-fallow lying there, with a great temptation to put it in wheat. Nevertheless, the payment of the bonuses and the appeal to the patriotism of western agriculture have resulted in the wheat acreage being kept pretty close to what it was last year, and that is the reason, from my point of view, for the expenditure of that money. I am not saying that I did it because I wanted to help anyone, or anything of the kind. But from the point of view of the national finances that is a justification for the expenditure of that money, and the policy was announced in the early part of March last. The money is being provided now-why? Because my colleague the Minister of Agriculture (Mr. Gardiner) is arriving in the west, or because the premier of Saskatchewan has announced a provincial election? No. The amount is being announced now because the supplementary estimates are tabled now, and this is the only time it could be announced.

Believe me, there was not a member of the government who had any political motives at all or any thought of politics in view. What else could we have done? Our policy was announced last February. This money had to be provided, this was the only place in which it could be provided, and this is the amount that is necessary to carry out our policy.

Mr. STIRLING: May I ask the minister a question? Was it not an unfortunate thing, in preparing the main estimates, to cut \$30,000,000 for this purpose, and then have to restore three-quarters of it at this late date?

Mr. ILSLEY: The main estimates-

Mr. STIRLING: Certainly it had a misleading effect.

Mr. ILSLEY: The \$30,000,000 is the amount voted last year. In fact, it was more; it was \$35,000,000 that was voted last year for this purpose, and when the main estimates were brought down we did not know what our wheat policy was going to be. If my recollection is correct, the main estimates were prepared early in January and tabled at the beginning of the session, immediately on the conclusion of the debate on the address. Our yearly agony over the wheat policy takes place in February, and we do not give birth to our policy until early in March. Therefore we could not put it in the main estimates but had to put it in these estimates. I do not want anybody in this house or anyone outside to think that there was anything political about Mr. Ilsley.]

that, and if the leader of the opposition had given the matter any thought he would have realized that.

Mr. McNIVEN: Is the whole of that amount payable in Saskatchewan?

Mr. ILSLEY: Oh, no. It is paid in the three western provinces, and some even in British Columbia.

There are one or two other points which I may touch upon, but I do not want to go into every question that has been raised. We cannot recognize debts, for the reasons stated on the resolutions. The administrative problem would be terrific, and after very careful consideration we felt that we could not do it.

The hon. member for Cape Breton South (Mr. Gillis) makes a plea for workers in non-essential industries who are not receiving cost-of-living bonuses. They are not ineligible for the cost-of-living bonus. If the cost of living rises over the cost of living in October last they are entitled to the cost-of-living bonus; that is, if it rises as much as one point. And they have the liberty, under the labour wage order, to apply for cost-of-living bonuses to cover the cost of living for a date antecedent to that. Whether that is ever done, whether it is ever granted, I do not know. Something would turn, I assume, on the ability of the employer to pay, and something would turn on the desirability of keeping them in non-essential industries. Certainly I would be opposed to making any income tax concession, because our taxes are based upon the incomes people receive. If they receive smaller incomes, their taxes are smaller. I should think it entirely inappropriate to make any change in our income tax.

With regard to the bill before the house, I am very sorry indeed that a bill of the length and importance of this bill has not been distributed before this, and that it has not been possible to prepare it before this, and that when distributed it is without explanatory notes. But I have had the explanatory notes mimeographed and distributed to hon. members.

Some hon. MEMBERS: No.

Mr. ILSLEY: Well, they are on the table; I thought they were distributed.

Mr. MacNICOL: Is there much change in the bill from the resolutions?

Mr. ILSLEY: No, there is very little change. I am ready to point out any changes that there have been, so far as I can remember them, but nothing of • serious nature has been changed.

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

On section 1 (1)—Normal tax.

Mr. FRASER (Peterborough West): I wish to ask the Minister of National Revenue what is being done about these refunds. I have had many letters regarding them. I have one before me dated July 24, in which it is stated that about the middle of this year a refund was applied for amounting to \$10.56, and so far it has not been received. Some of these people have an income of \$450 a year, and to them \$10 is a lot of money. They do not want to wait a whole year for the refund. Is there not some other way in which these refunds could be expedited?

Mr. GIBSON: The difficulty is that there are thousands and thousands of forms that have to be checked before finding out what the person's income amounts to. We cannot give a refund without checking the employer's returns, and various other returns, such as returns of dividends paid. It is a new department that has had to be built up, and personnel has had to be trained in handling the refund claims.

Mr. FRASER (Peterborough West): The minister said that before.

Mr. GIBSON: I said it about two days ago. No great change has taken place since.

Mr. FRASER (Peterborough West): These forms are returned at what time?

Mr. GIBSON: At various times throughout the year, but it is only after the close of the calendar year—in the following February—that information is given regarding the specific individuals from whom deductions have been made.

Mr. FRASER (Peterborough West): This request for refund was in February. One would think that by now the refund would have been made.

Mr. GIBSON: It could have been if you could stop and deal with any one case, but when there are thousands of cases, they are dealt with together until after employers' returns have been filed and the information recorded. Then the refund claims can be considered, and that person's claim may not have been reached.

Mr. ILSLEY: Rule 2, on page 7, relates to officers. It has just been pointed out to me within the last three or four minutes that this

Supply-Justice

is incorrect as applied to women officers. Women officers get, I think, about two-thirds of what the male officers get. Therefore I think some proviso will have to be added which will state that this rule does not apply to female officers. I suggest that the governor in council be empowered to apply the principle of the section to female officers in proportion to their rates of pay. I think something of the kind will have to be done.

Mr. STIRLING: By inserting such a suggestion in the bill?

Mr. ILSLEY: Yes. I would ask that the section be allowed to stand until we have something drafted.

Section stands.

On section 1 (2)—Graduated tax.

Mr. MAYHEW: Is a married woman supporting a husband who has no income treated the same as the husband?

Mr. GIBSON: She would get the married exemption, just as he would in the other case.

Mr. BLACKMORE: I suggest to the minister that he allow this bill to be considered in committee after eight o'clock. The bill has been changed extensively, and it was put into our hands only within the last few minutes. It is utterly impossible to read the bill through and get any kind of understanding of it at all in the time we have had. We should have at least a little time to look at it.

Mr. COLDWELL: That is reasonable.

Mr. ILSLEY: Well, that is all right.

Section stands.

Progress reported.

SUPPLY

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

DEPARTMENT OF JUSTICE

88. Departmental administration, \$156,750.

Mr. MacINNIS: I should like to have your decision, Mr. Chairman, as to the proper item under which to bring up the matter of the appointment of judges. It seems to me this item would be the appropriate one.

Mr. ST. LAURENT: It could come here, or under any of the items providing the salaries for some special court. On item 88 the hon. gentleman might be allowed to make such observations as he desires to make.

The CHAIRMAN: I hope they will be brief, because a discussion of the matter referred to would not be in order on the item now before the committee.

Mr. MacINNIS: Yes, Mr. Chairman, I will be as brief as possible, but I should like you to understand that this is the only opportunity hon. members have had to consider the estimates in connection with the administration of the affairs of this country during this fiscal year.

The CHAIRMAN: There is no intention of limiting the discussion when it is under the proper item. But when it is not under the proper item the discussion is carried on only by tolerance, and my difficulty lies in the determination of what is proper and what is unreasonable.

Mr. MacINNIS: I asked for your decision as to the proper item, and I am willing to abide by your ruling, Mr. Chairman.

The CHAIRMAN: Will the hon. gentleman state again what he intends to discuss?

Mr. MacINNIS: The appointment of judges.

The CHAIRMAN: I think that would come more properly under item 90. The hon. gentleman could then speak with much more freedom.

Mr. MacINNIS: That will be satisfactory.

Mr. JACKMAN: May I ask the Minister of Justice what is being done to see that the labour of those in the penitentiaries is directed toward the war effort?

The CHAIRMAN: I think that question should be asked under item 97.

Mr. HAZEN: If I may be permitted, I should like to bring to the attention of the Minister of Justice an injustice which I believe has been done certain residents of New Brunswick whose lands front on the nontidal waters of the Saint John river, by reason of an order in council passed on May 9, 1940, and now embodied in section 9 of the special fishing regulations affecting that province.

The CHAIRMAN: That would not come under this item by any stretch of the imagination. I do not know any item of the Department of Justice which would cover that subject.

Mr. HAZEN: I may be wrong, Mr. Chairman, but certainly I think this comes under the administration of justice. I am asking for justice on behalf of certain people.

The CHAIRMAN: I doubt it very much, since apparently those are regulations with (Mr. St. Laurent.) respect to fisheries. At any rate, even if it were a question of the administration of justice, which we may determine a little later, it would come under item 90.

Mr. GILLIS: Under item 89, in view of the observations made by the minister-

The CHAIRMAN: Perhaps hon. members will allow item 88 to pass.

Item agreed to.

89. Remission service, including remuneration to members of the Royal Canadian Mounted Police force (to be expended under order in council, and not to exceed \$1,600) for assistance to this service, and an amount of \$10,900 to reimburse the Royal Canadian Mounted Police force the amounts disbursed by them in ordinary pay and allowances to their men on loan to this service, \$52,592.

Mr. GILLIS: With respect to the setting up of the new security service for the whole of Canada—

Mr. ST. LAURENT: Perhaps the hon. member might defer any discussion of that matter until we deal with the estimates concerning the Royal Canadian Mounted Police, which department has to do with the security control.

The CHAIRMAN: That will be found in item 320, at page 38.

Mr. GILLIS: This item states "... including remuneration to members of the Royal Canadian Mounted Police force." It was with respect to the question of remuneration that I wanted to speak.

Mr. ST. LAURENT: That is remuneration by one branch of the department to the other branch for special services rendered by the Royal Canadian Mounted Police in making investigations for purposes of remission or the exercise of clemency.

Item agreed to.

90. Administration of justice-miscellaneous expenditure, \$6,000.

Mr. HAZEN: If I may be permitted just a moment before you give a ruling, Mr. Chairman, I am asking for justice on behalf of certain farmers who have had their rights and property taken away by order in council, and without compensation. This order in council raises a constitutional question which I should like to bring to the attention of the Minister of Justice, since he has been one of the leaders of the bar in Canada and a former president of the Canadian Bar association. It is a matter with which I think he should deal. If you will permit me just one more word, I have not taken up the time of this house unduly; in fact I have tried to save as much

time as I could. I might have brought up this matter on the motion to go into supply, but I was not sure the Minister of Justice would be here then, and in any case it will not take a great deal of time for me to present the case. It is a matter of some constitutional importance. I feel that these people have been done an injustice which should be rectified, and if I may have the permission of the committee I should like very much to bring the matter to the attention of the minister.

Section 9 of the special fishing regulations provides that the use of nets in non-tidal waters, except under a permit from the Minister of Fisheries, is prohibited. As permits are not issued by the Minister of Fisheries to those riparian proprietors on the non-tidal waters of the Saint John river, it is my submission that this so-called regulation is not a fishing regulation in the true sense of the term but a confiscation of private property, and that it is ultra vires of the powers conferred upon the dominion parliament by the British North America Act.

Certain facts have been brought to my attention which have an important bearing on this matter, the truth of which I believe can be established beyond question. These facts are as follows. First, that in the latter party of the eighteenth century—

The CHAIRMAN: Order, please. Unless there is unanimous consent to suspend standing order 58 (2), I cannot allow the hon. gentleman to proceed. It is preposterous under the estimates of the Department of Justice to allow an hon. member to discuss the merits or demerits of a question of law arising out of an order in council. If it is the unanimous wish of the committee that standing order 58 be suspended, at least I shall be protected against the charge of allowing one hon. member to infringe the rules and holding other hon. members strictly to the same rules. Can I assume that the hon. gentleman has the unanimous consent of the committee to the suspension of standing order 58 with respect to his proposed submission?

Mr. STIRLING: I submit that this being a matter which is causing the hon. member a great deal of difficulty, he might be given the opportunity now to place the matter before the Minister of Justice in a very few words.

The CHAIRMAN: If it is the unanimous wish of the committee, I am quite satisfied.

Mr. GOLDING: Could not the hon. member have a talk with the Minister of Justice 44561-320

Supply-Justice

about it at any time? It seems to me this should have been discussed when the Minister of Fisheries had his estimates before the house.

The CHAIRMAN: Then the hon. member does not have unanimous consent, and in my opinion he is clearly out of order.

Mr. HAZEN: May I say a word to the hon. member who has just spoken. I am anxious to have this matter on record. I could have gone to the Minister of Justice and handed him what I have to say, but—

Mr. GOLDING: All right, go ahead.

The CHAIRMAN: The hon. member has unanimous consent.

Mr. HAZEN: I wish to thank hon. members of the committee for the courtesy they have extended to me. I regret having to take up the time of the committee in these dying hours of the session, but as I have pointed out, a matter of justice is involved, and I should like the Minister of Justice to consider the facts.

The facts of the case are these:

1. That in the latter part of the eighteenth century the crown made grants of land fronting on the non-tidal waters of the Saint John river to certain united empire loyalists who settled in New Brunswick.

2. That these grants conveyed not only a certain acreage of land but also—and I quote from the grants—

All . . . fishings, fishing waters, profits, commodities, appurtenances and hereditaments whatsoever thereunto belonging or in any wise appertaining.

3. That the Saint John river above the head of tide is not navigable.

I might elaborate upon that, but I shall not do so. I can say definitely, however, that that is a fact which can be proven.

4. That the most valuable commercial fish that frequents these waters is the salmon, and from the time these grants were made the grantees and their successors in title have caught these fish during the open season by nets set out from the bank of the river in front of their lands, for a short distance into the stream.

5. That these nets were limited in size and in length by the regulations and they did not block the river or prevent fish from passing up the stream.

And then follows this important fact:

6. That netting is the only way in which these fish can be caught. They cannot be caught by bait or trolling. They will not rise to a fly except in a very few pools along this river. These pools are not owned by the riparian proprietors on whose behalf I am speaking.

7. That since section 9 of the fishing regulations has been passed, the Minister of Fisheries (Mr. Michaud) has refused to grant permits to these riparian proprietors to use nets in the waters adjoining their lands, and in consequence this so-called regulation has the effect of prohibiting absolutely the riparian proprietors from exercising their rights in their property in the only way they can be exercised, namely, by netting.

These I believe are the facts pertinent to the matter. They can, as I have said, be established without difficulty.

It is a well-established principle of law that in New Brunswick proprietors of land that abut non-navigable rivers are the owners of the soil of the alvus or channel *ad medium filum aquae* and have the exclusive rights of fishing in the waters in front of their lands. This is not a riparian right arising from the right of access to the river but is a right of property, and one of the profits of the land over which the waters flow; it has been called a territorial fishery.

I think the case of the Queen v. Robertson, which was decided by the Supreme Court of Canada in 1882, is ample authority for this statement.

Mr. Justice Strong in the case of In Re Provincial Fisheries said that:

In the Queen v. Robertson this court determined that the right of riparian proprietors upon streams above tide water, and whose titles were such as to give them, according to the general common law principle, the ownership of the beds of the streams to their middle lines, to fish within the limits of their own lands, was a private and exclusive right of property, a proprietary right of the same character as that to the herbage or trees growing upon the land, or the minerals or game to be found upon it, and that this right of property could not be impaired by any legislation, but that of the legislature of the province in which the property was situated, which, under subsection 13 of section 92 of the British North America Act 1867, possesses the exclusive right to legislate concerning "property".

If it is denied that the Saint John river is non-navigable above the head of tide, then I would point out that these grants from the crown conveyed in addition to a certain acreage of land "all fishings and fishing waters", and in consequence the grantees and their successors in title obtained what is known in law as several fisheries which are rights in property, and which gave them the exclusive right to fish in front of their lands to the middle thread of the river.

[Mr. Hazen.]

The proprietary rights of these grantees were not adversely affected by confederation. Chief Justice Ritchie in the course of his judgment in the case of the Queen v. Robertson said that he could not discover in the British North America Act the most remote indication of an intent to deprive either the provinces or the individuals of their property rights in their respective properties, and the privy council in the Provincial Fisheries case said:

Whatever proprietary rights in relation to fisheries were previously vested in private individuals remain untouched by this enactment.

I submit therefore that it is clearly established by the law of this country that whether the waters in this river above the head of tide are navigable or non-navigable, these land owners have in law a right of property in the fisheries in front of their lands.

An attempt is now being made by what I submit is an abuse of legislative power to take from the legal owners their rights of property in their fisheries by the enactment of this special regulation 9. Its effect is to prohibit the owners of property from using their properties in the only way it can be used, that is by netting. It amounts to a confiscation of property without compensation.

It is not necessary for me to tell you, sir, that the British North America Act provides that—

In each province the legislature may exclusively make laws in relation to property and civil rights.

Where, then, does the dominion government, or, to use the words of the act "The Queen, by and with the advice and consent of the Senate and the House of Commons", get the authority to take away these people's legal rights in property without compensation? Surely it cannot be contended that subsection 13 of section 91 gives the authority.

In 1897 the privy council held in the fisheries case that on the true construction of section 91 of the British North America Act the enactment of fisheries regulations and restrictions was within the exclusive competence of the dominion and not within the legislative powers of the provincial legislatures. It points out in the course of its judgment that there was a broad distinction between property rights and legislative jurisdiction; that there was no presumption that because legislative jurisdiction was vested in the dominion parliament, proprietary rights were transferred to it; that section 91 of the British North America Act did not convey to the dominion government any proprietary

rights in relation to fisheries; whatever proprietary rights in relation to fisheries were previously vested in private individuals remain untouched by that enactment.

In the course of its judgment the privy council said:

It must be remembered that the power to legislate in relation to fisheries does necessarily to a certain extent enable the legislature so empowered to affect proprietary rights.

I would direct the attention of the minister to the words "to a certain extent" that qualify that statement. They are important; they cannot be overlooked. Most regulations affecting private property limit to some extent the use of the property, but do not deprive the owners of its use. I submit that it was never intended nor was it ever expected that the dominion government, under the exclusive power given to it to make fishery regulations, could or would attempt to take away from people what they legally owned. I submit that it is beyond the power of the dominion government to do so.

During the presentation of their case before the privy council the provinces submitted that if the power to make regulations was vested in the dominion parliament it might be abused so as to amount to a practical confiscation of property. Dealing with this argument the privy council said:

The suggestion that the power might be abused so as to amount to a practical confiscation of property does not warrant the imposition by the courts of any limit upon the absolute power of legislation conferred. The supreme legislative power in relation to any such power is always capable of abuse, but it is not to be assumed that it will be improperly used; if it is, the only remedy is an appeal to those by whom the legislature is elected.

The fear expressed by the provinces when this case came before the privy council, that the power if placed in the hands of the dominion parliament might be abused so as to amount to a practical confiscation of property, has now been realized. The assumption of the privy council that the power would not be abused, I am sorry to say, has been proved wrong. This abuse of power has resulted in an attempted confiscation of private property without compensation, and it cannot be allowed to go unchallenged.

I would call your attention to the fact that this so-called regulation was passed under authority of section 34 of the Fisheries Act, which gives the governor in council power to make regulations. But section 9 is not a regulation in the true sense of the word; it is a prohibition. The words "regulation" and "prohibition" are not synonymous. A reguSupply-Justice

lation implies the continued existence of that which is to be regulated; a prohibition puts an end to a right that previously existed. An attempt has been made to take away the proprietary rights of these owners in their several fisheries; an attempt has been made to stop them using their property. The enactment is not legal and is beyond the powers granted by section 34 of the Fisheries Act.

I ask the minister to look into this matter and take steps to have this so-called regulation rescinded. If he cannot see his way clear to do this, I would ask him to have the matter referred to the supreme court on a stated case. If this is done, I ask him to see that the owners of these fisheries are represented. They were not represented in the provincial fisheries case. These are all poor men, and they cannot afford to take legal action at this time.

In bringing this matter to the attention of the minister I wish to emphasize the fact that this is not an academic question, but one that affects the rights of certain citizens of this dominion. When I brought the matter to the attention of the Minister of Fisheries (Mr. Michaud) when his estimates were under consideration in June last, I said that to deprive a person of what he owns without his permission and without compensation is a theft, and I charged the Minister of Fisheries and the dominion government with the theft of property by reason of their passing this order in council. The Chairman took exception to the words I used and ordered me to withdraw them, which, of course, I did. I said also that these people had been treated like non-Aryans under a nazi regime because they had had their legal rights in property taken from them. This is the way the people in that part of New Brunswick feel about the matter. I submit that it is not in the best interests of the country that this condition of affairs should be permitted to continue.

I have often wondered what the reaction would be in the British House of Commons if a matter of this kind were brought up. I imagine there would be an uproar in that house, which respects the property rights and freedom of the individual, if legislative action of this kind were taken by order in council. These people own rights in their property, and those rights have been taken away by order in council without any compensation being paid. I ask the minister to take this matter into consideration and if he cannot see his way clear to have the order rescinded, that he have a stated case submitted to the supreme court in order that a decision may be obtained,

Item agreed to.

44561-3201

90. Administration of justice-miscellaneous expenditure, \$6,000.

Mr. MacINNIS: This was the item under which I was told I could bring up the matter I had in mind. Unfortunately it has been the practice in this country to appoint judges largely because of political services rendered. I thought that when the new Minister of Justice took over his important office we could look for a discontinuance of this practice. Last winter a new chief justice of the Supreme Court of British Columbia was appointed. The appointment made has not in my opinion given satisfaction to the people of that prov-Quite recently the provincial bar ince. association discussed the matter of the appointment of judges-largely, I believe, because of resentment over this appointment. Both of the big daily papers in Vancouver commented upon the appointment. The Vancouver Province, the largest daily paper in British Columbia, and a paper noted for its reasoned editorial comment, made this statement:

The reward goes to the profession of politics rather than to the profession of the law—and that, in the interests of law and justice, is not desirable.

The new chief justice in British Columbia has not only been an outstanding man in the political party to which he belonged, a man to whom anyone would have to go who wanted to get anywhere in the Liberal party in British Columbia, but during his whole period of residence in the province he has been a corporation lawyer.

The CHAIRMAN: Order. To whom is the hon. gentleman referring?

Mr. MacINNIS: I am referring to the Chief Justice of the Supreme Court of British Columbia.

The CHAIRMAN: Order. Under the rules of the house it is not permissible to make any comment on the chief justice or any justices of the high court, or any high official of the crown, except by impeachment. Further, it is not permissible to read articles in newspapers containing comments which may be construed as being offensive toward the person of a high court judge or a high official of the crown.

Mr. MacINNIS: I have not, as far as I am aware, read anything offensive, nor have I said anything offensive. If it is considered offensive to say—

The CHAIRMAN: Order. The remarks which I have heard from the lips of the hon. gentleman are of the nature of a criticism of the character of the judgeMr. MacINNIS: Decidedly not.

Mr. GRAYDON: On a point of order-

Mr. MacINNIS: Just a minute.

The CHAIRMAN: Order, please. I may have misunderstood the words. Is it not a criticism of a judge—?

Mr. GRAYDON: To be a Liberal?

Mr. MacINNIS: No. May I tell the Chairman again what I said.

The CHAIRMAN: All right.

Mr. MacINNIS: Is it a criticism of a judge to say that he has been a corporation lawyer, that he has been one of the chief industrialists of the province of British Columbia, and that he has been "the power behind the throne" as the saying goes, in the political affairs of the Liberal party in British Columbia? If that is criticism, then it proves my point that he should not have been appointed.

The CHAIRMAN: It may prove the point that the hon. gentleman desires to make, but it is not permissible to discuss a judge in this house. It is not permissible to discuss the character, the conduct or the background of a judge except by motion for impeachment.

Mr. MacINNIS: I am discussing neither his character nor his conduct. I am giving this committee his background to indicate to the committee that appointments for political—

The CHAIRMAN: Order, please. It does not matter; the person of a judge cannot be made the subject matter of discussion in this house except under impeachment, and no hon. member can, under the rules of the house, suggest that a member of the judiciary has been a political organizer or a strong political partisan, because that very statement is a reflection on the judge himself.

Some hon. MEMBERS: Oh, oh.

The CHAIRMAN: If hon. gentlemen desire to appeal from my ruling, that is the only remedy.

Mr. MacINNIS: This position, Mr. Chairman, is not possible. A member is entirely muzzled with regard to a very important part of the public administration. What I want to call attention to is this, that the way in which judges are appointed is not a proper method of appointment. I will give members of the committee—

The CHAIRMAN: Order, please. There is nothing to prevent the hon. gentleman from discussing at large the system of the appointment of judges. That is perfectly in order. But when he makes reference to one particular

5072

[Mr. Hazen.]

judge, who happens to be the chief justice of a province, for the purpose of discussing his political background, I say that this is of the nature of a reflection on that particular judge and against the rules of the house. There is nothing to prevent the hon. gentleman from discussing—

Mr. STIRLING: What rule?

The CHAIRMAN: —the system of appointment of judges.

Mr. MacINNIS: Mr. Chairman, I bow to your ruling. I have said all I wanted to say in that regard. I think I have justified the raising of this point, because your decision has proved beyond the possibility of a doubt the correctness of my position.

The CHAIRMAN: Not under the rules. The position of the hon. gentleman was distinctly out of order in respect of the rules of the house.

Mr. STIRLING: What rule, may I ask?

The CHAIRMAN: Citation 305:

All references to judges and courts of justice and to personages of high official station, of the nature of personal attack and censure—

Mr. STIRLING: "Of the nature of . . ."

The CHAIRMAN: I shall not discuss it. If hon. gentlemen desire to appeal from my ruling they can do so, but I say that to point to one judge as being objectionable because of his political background is strictly against citation 305.

Mr. MacINNIS: I appeal from your ruling, Mr. Chairman. I think it is perfectly preposterous.

The CHAIRMAN: Very well, if you desire to appeal, all right. The hon. gentleman being alone, there is no appeal from that ruling.

And several hon. members having risen:

The CHAIRMAN: The appeal from the ruling is to the full house. Do hon. gentlemen appeal to the full house?

Mr. MacINNIS: Mr. Chairman, I said I had finished with the point, and I was going to observe your ruling.

The CHAIRMAN: If the hon. member does not appeal from the ruling, that disposes of it.

Mr. MacINNIS: But if you insist, Mr. Chairman, that I am not to be allowed to talk, I am going to appeal from the ruling. The decision is up to the Chair.

The CHAIRMAN: Does the hon. member say that he has finished?

Supply-Justice

Mr. MacINNIS: Not with what I am going to say. I am finished with what I have said.

Mr. GRAYDON: May we have citation 305 read again for the clarification of the issue?

The CHAIRMAN: I referred to citation 305, in May, which has been followed in this house.

Mr. GRAYDON: What is it?

The CHAIRMAN: It is this:

All references to judges and courts of justice and to personages of high official station, of the nature of personal attack—

Mr. STIRLING: Which this was not.

The CHAIRMAN: Well, if I may be allowed to continue reading:

-and censure have always been considered unparliamentary, and the speakers of the British and Canadian houses have always treated them as breaches of order. Members have even been interrupted in committee of the whole by the chairman when they have cast an imputation upon a judicial proceeding. The proper course for persons who feel called upon to attack the conduct of a judge is to proceed by way of a petition in which all the allegations are specifically stated so that the person accused may have full opportunity to answer the charges presented against him.

I stated that the hon. gentleman, in referring to an honourable member of a high court of the land and citing him as exemplifying what the hon. gentleman considers a wrong system of appointing judges, was out of order.

Mr. GRAYDON: On a point of order, Mr. Chairman, may I point out—

The CHAIRMAN: There is no point of order before the Chair.

Mr. COLDWELL: Then we must of necessity-

The CHAIRMAN: The ruling is not disputable.

Mr. COLDWELL: Then we must appeal from your ruling.

The CHAIRMAN: If you must.

Mr. COLDWELL: We did not want to do that because we have no wish to delay the committee; but may I point out to you, Mr. Chairman, on the question as to the proper course to follow with regard to the conduct of a judge, that when a man is sitting in some other capacity he is no longer sitting as a judge. All the government has to do to prevent discussion on any question in this house is to appoint a commission consisting of a judge, and that moment we are stopped.

The CHAIRMAN: I have given my ruling. I stated that citing a judge and discussing his political background was certainly against the spirit and the letter of rule 305.

Mr. MacINNIS: I did not cite anything that this gentleman had done since he became a judge. I did not reflect on anything he had done since he became a judge, and indeed I did not reflect on anything he had done before he was appointed.

Mr. MARTIN: But the implication is there.

The CHAIRMAN: Be that as it may, I suggest that we consider the incident closed and continue.

Mr. MacINNIS: I was objecting to the method of making appointments. I do not know what the method is in other provinces, but in British Columbia the qualification necessary for elevation to a judgeship is, apart from being a lawyer, that he shall be defeated at a provincial or federal election. The hon. member for Vancouver South (Mr. Green) was opposed by a Liberal lawyer in 1935. My hon, friend was elected and the Liberal defeated, and a few weeks afterwards the defeated Liberal was made a judge. In 1940, the hon. member for Vancouver South was again opposed by another lawyer, who in turn was also defeated, and a few weeks afterwards he was made a judge.

Mr. STIRLING: That is all he needs.

Mr. MacINNIS: In my opinion, to be defeated by my hon. friend the member for Vancouver South is not necessarily a sufficient qualification for a judge. I suggest that a better qualification would be if he had defeated my hon, friend the member for Vancouver South.

An hon. MEMBER: Oh, no.

Mr. MacINNIS: The hon. member does not get the point.

The CHAIRMAN: Let us come to the administration of justice.

Mr. MacINNIS: I am drawing this point to the attention of the Minister of Justice. He is a man eminent in his own profession, and he knows the qualities required in a judge. He knows the necessity of having persons not only learned in the law, but persons with a strong social outlook, persons who are concerned not only with property rights but with the rights of the citizens as a whole. That is the reason why I brought this matter to the attention both of the minister and of the committee. I tell the committee and the minister that other appoint-

[Mr. Coldwell.]

ments such as the one he has just made will destroy the confidence of the people of British Columbia in the judiciary of that province.

Mrs. NIELSEN: This item makes provision for miscellaneous expenditures, \$6,000. Has any of this money been used to keep a check on those men who have been released from the camp at Petawawa, who were interned there because of fascist or nazi sympathies? I believe that in the course of two years some two hundred men have been released from that camp. On the word of some anti-fascists who were in the camp at the same time, some of these fascists, when released, gave the fascist salute and intimated to their friends that they were going back to work. Will the minister make a statement in this regard. and let us know what check is being made on these men and their activities.

Mr. ST. LAURENT: No part of this item is devoted to the purposes mentioned by the hon. member. With regard to the unanimous consent given to the member for St. John-Albert (Mr. Hazen), had I known that he had put the same speech on *Hansard* on June 11, 1941, as appears at pages 3830 and following, I would have suggested that it was not necessary to extend unanimous consent this afternoon.

Mr. HAZEN: May I point out that the present minister was not Minister of Justice then. I addressed those remarks then to the Minister of Fisheries, who failed, I thought, to understand what it was all about. I knew the Minister of Justice had been one of the leading lawyers in the Dominion of Canada, president of the Canadian Bar Association, and I thought it was a matter in which he would probably take some interest.

Mr. ST. LAURENT: The matter is quite interesting but hardly pertinent to the administration of the Department of Justice. If any of the persons in whom the hon. member takes such a legitimate interest feels that his rights have been improperly interfered with, he can disregard the necessity of securing a licence, place a net and be prosecuted, having the case taken to the courts, which exist in New Brunswick as they do elsewhere, where he can present the argument the hon. member has made.

Mr. HAZEN: Yes, but the Minister of Justice knows that if that suggestion were carried through to its conclusion, it would involve taking the case to the privy council, and how are these poor farmers along the river to do that? That is the reason why I have asked that a case be stated and the matter taken to the supreme court of the country for decision. These riparian owners have never been represented whenever any of these constitutional matters have come up and their rights were affected. They have never been represented before the courts of the country, and they cannot afford to appear before the courts. That is why I say that a special case should be stated.

Mrs. NIELSEN: Am I to understand by the minister's reply that no moneys are spent to check up on the activities of nazis released from internment camps?

Mr. ST. LAURENT: None of this \$6,000 is devoted to that purpose, but the Royal Canadian Mounted Police, in connection with whose activities there are quite large votes to be dealt with, keep very close surveillance over all those who have at any time been interned.

Mr. COLDWELL: Under which vote will the committee be dealing with the matter.

The CHAIRMAN: Item 320 and following.

Mr. ST. LAURENT: I am not sure there will be any vote here—

Mr. COLDWELL: I could not find it-

Mr. ST. LAURENT: —but it would probably be proper to discuss it there, because those boards are provided for under the war appropriation. As, however, the items concerning the Department of Justice in the war appropriations were not particularly discussed at that time, the understanding was that it would be proper to refer to them when the general vote on the mounted police was being considered.

Mr. CASTLEDEN: There is one matter with regard to the administration of justice on which I wish to say a word. I am sorry to see no increase in this item, because the administration of justice in these times is increasingly difficult by reason of the fact that so much of our law to-day is in the form of orders in council. We have just had published to the end of March, 1942, the sixth volume, totalling about fifteen hundred pages. As we know, ignorance of the law is no excuse for breach. It is very difficult for us here to keep up with the orders in council which are passed. How can people in general know what the law is in these times? It is impossible.

Could this item not be increased so that something might be done to acquaint the people with some of the recent changes in the

Supply-Justice

law? They have very few opportunities to become acquainted with them, and suddenly they find themselves running foul of the law. Has the minister any plans for giving more information to the people? There are so many boards and controls that sit in their offices and have power to pass orders and regulations which have the effect of law, of which people are absolutely ignorant, until, as I say, they run foul of them. People are finding their liberties curtailed to an extent they did not believe possible. Is there any means whereby this information can be made available to the people to a greater extent than at present?

Mr. ST. LAURENT: I do not think it is possible to publicize these orders in council and regulations to any fuller extent than is being done. Some of the most important perhaps are those having to do with price control. An extended and, I thought, effective campaign was put on to acquaint the public with those provisions. It must be remembered that these are not normal times and that regulations have to be made and sometimes modified frequently. I agree that it is difficult even for one who got his knowledge of law in the law schools to feel that he is every day aware of all the provisions made. It is one of the unfortunate consequences of the circumstances in which we find ourselves.

Mr. FRASER (Peterborough West): The minister claims that we have had a great deal of publicity on this. That is true. I have here an article entitled:

"How Do the Orders Affect Me?" Eight Million Workers May Ask.

Eight million British workers are affected by the far-reaching provisions of the essential work orders, and for their benefit the Ministry of Labour has issued a booklet guide sub-titled: "How Do the Orders Affect Me?"

Mr. ST. LAURENT: I think the hon. member has probably seen, as I have, several booklets having titles similar to that. When I got back to my apartment the night before last I found a booklet in connection with rent control, setting out in the form of a catechism with questions and answers pretty full information respecting the application of that law. That is one of many publications which I have seen that have been put out for the purpose of familiarizing the public with the effect of those regulations.

Mr. FRASER (Peterborough West): I have something to say about that. In Peterborough they distributed those booklets to every house, but they were all in French. In an Englishspeaking city that is a waste of money and time.

Mr. ST. LAURENT: It is apparent that what was done in Peterborough is one of those regrettable errors. Similar errors have been committed in the province of Quebec, where, through someone's blunder publications exclusively in the English language were sent out in a French-speaking community. I believe efforts are being made to avoid having such things occur. I shall be glad to bring the matter to the attention of the proper office because we hear of such errors happening much more frequently in the province of Quebec than elsewhere.

Mr. NICHOLSON: Some time ago a sessional paper was brought down giving the names of the members of the national war services staff. One of the associate deputy ministers is Mr. Justice Davis of Saskatchewan. Is Mr. Justice Davis, in addition to his salary as a judge, receiving under section 1 of the Judges Act a per diem allowance of \$10 when he is attending at any place other than where he is by law obliged to reside? Did he receive an allowance last year in addition to his salary when he was in Ottawa?

Mr. ST. LAURENT: I am under the impression that no per diem allowance is being paid. It is not to my knowledge that any such payment has been made to Mr. Justice Davis since I came into the department on December 10 last. I have seen no correspondence or anything that would indicate that there was any such payment.

Mr. HAZEN: While many things are said by the hon. member for Vancouver East with which I do not agree, I think he rendered a service to his country this afternoon when he brought up the question of the recent appointment of supreme court judges or chief justices in the provinces. I think he is entitled to some answer from the minister to the question he raised. He asked the minister to make a statement as to what the qualifications are for the appointment of chief justices.

Some hon. MEMBERS: Carried.

Some hon. MEMBERS: No.

Mr. NICHOLSON: The minister has been asked two questions.

Mr. ST. LAURENT: I did not understand that there was any question. I understood there was a very strong opinion expressed by two hon, members.

The CHAIRMAN: I would point out that the qualifications of judges are stipulated in the law.

Mr. HAZEN: That is a valuable suggestion. [Mr. G. K. Fraser.] The CHAIRMAN: It is not a suggestion. I do not think it is in order in the committee to put to a minister questions with respect to the law. He is not here to interpret the law. The Judges Act stipulates the qualifications of a judge.

An hon. MEMBER: He can say so.

The CHAIRMAN: If he chooses, but we cannot delay the work of the committee if hon. members ask questions which the minister does not choose to answer.

Mr. MacINNIS: A word may clear up this matter. I do not wish to press it any further. The appointments were discussed, and usually when the appointment of a civil servant or any other appointment of the government is criticized in the committee the minister concerned makes a reply. If the minister does not see fit to make a reply, I accept it that no reply can be made.

Mr. ST. LAURENT: I do not think it behooves the Minister of Justice to discuss in committee on the passing of the estimates of the department the reasons why certain gentlemen were selected to exercise the functions of high court justices. I think it would be an improper precedent to discuss in this committee on the estimates the reasons for the recommendations made to his excellency for the appointment of members of the judiciary.

Item agreed to.

Stipendiary magistrate's court in the Yukon territory.

95. Administration, \$5,040.

Mr. GRAYDON: You are going so quickly, Mr. Chairman, I cannot keep up with you, but under the item dealing with the salaries and travelling allowances of judges I should like to bring one matter to the attention of the Minister of Justice, and to ask one question.

Mr. ST. LAURENT: I would point out that this item is for \$5,040 for the administration of the magistrate's court in the Yukon territory. The other item covering judges' salaries and travelling allowances is statutory.

Mr. GRAYDON: That is what I wanted to speak about, the statutory item.

Mr. ST. LAURENT: I am not familiar with the manner in which these things are dealt with, but I was under the impression that these payments which have to be made and which are charged to the consolidated revenue fund were not the subject of discussion in com-

mittee, because the committee does not have to vote them. They are merely included as a matter of convenience, to show what portions of the sums expended in the department are provided by statute charging them to the consolidated revenue fund. If, however, there is any information the hon. gentleman wishes to obtain that I can give him, I shall be glad to do so.

Mr. GRAYDON: If the session were not drawing so near its close I would take issue with the minister on the point he has raised, because this is the only place in the estimates on which a matter concerning our judges properly may be brought up. If the minister will turn to previous debates in this house I think he will find that numerous questions have been asked and lengthy discussions have developed on occasion with regard to these items. However, I wanted to ask this one question. Does the Department of Justice at Ottawa keep any record of the number of reserved judgments of Canadian judges, both of the supreme court and of county and district courts, to show how long such judgments have been delayed or reversed, and the number of the judgments so held up?

Mr. ST. LAURENT: The department has no information in that regard and no way of getting it. As a matter of fact, the administration of justice, as my hon. friend knows, is a provincial responsibility, the federal government appointing the judges and providing their salaries and travelling allowances. During the years in which I have practised at the bar I have had occasion to feel that there were grounds for complaint in this connection, but such complaints must be brought especially to the attention of either the attorney general of the province or the Minister of Justice in order to have them dealt with, because there is no other way in which we would have knowledge of what is happening. We do not keep tab on the number of cases heard, or the dates when they are taken under advisement, or the dates when judgment was rendered. I know from my own at times rather unfortunate experience that sometimes there is long delay and, I have felt at times, unjustifiable delay between the time when the case was reserved for judgment and the time when ultimately the judgment was rendered. At times I have called the attention of the attorney general of my province, and at times the attention of the Minister of Justice, to what I looked upon as something which, to say the least, was unfortunate for those who were interested.

Mr. GRAYDON: If I may just follow that with one remark, I rather think the time has come when the Attorney General of Canada,

Supply-Justice

who is also the Minister of Justice, should confer with the attorneys general of the various provinces with respect to the point I have raised. It is a very serious matter. There have been a good many complaints with respect to it, though when I speak of complaints I would hope that neither the committee nor the minister would feel that I was referring to the local judge in my own county of Peel, Judge Archibald Cochrane, for his was one of the best appointments this government has made in a long time to the county court bench. But I must say that there are many instances in which these complaints are very well founded, and I think there ought to be some kind of regulation-

Mr. MARTIN: Not confined to the county court bench.

Mr. GRAYDON: No, it is not confined to county court judges. I do think there should be some kind of regulation to protect the litigants of this country against these long reservations of judgments. I feel that unless a judge is ill he should not take longer than six months at the most to make up his mind on a case. If he takes longer than that, and is still in good health both mentally and physically, then I think he should pay out of his own pocket the costs of another trial, which should follow automatically. At least that would bring to a good many judges a more complete realization of their responsibilities with respect to this matter, and I bring the suggestion to the attention of the Minister of Justice. This trouble is of long standing, I admit, but these are days of considerable urgency, when people have to assume their full responsibility, and surely it is not too much to ask of the judiciary that they should carry their full share of the burden in this regard.

Item agreed to.

96. Payments of gratuities to the widows or to any dependent children of judges who die while in office, \$15,000.

Mr. MacINNIS: How much of this amount was expended last year, and how many widows and dependent children benefited by the appropriation?

Mr. ST. LAURENT: I am sorry I have not the details as to the persons to whom payments were made. This is for the purpose of providing the equivalent of two months' salary to the estate of a judge after his decease, if he leaves dependents.

Mr. MacINNIS: Is it necessary to prove that his dependents need that assistance, or what are the requirements before that amount is paid?

Mr. ST. LAURENT: I think it has been paid almost as a matter of right in all cases where there was a widow or there were dependent children at the time of the death of a judge in office.

Mr. MacINNIS: It seems to me that this is another case of "to him that hath shall be given, and from him that hath not shall be taken away even that which he hath." Such a terrific fuss is made about giving \$20 to an old age pensioner, but here payments are made of much larger sums, with no accounting given to the house as to the persons to whom these payments are made.

Mr. NICHOLSON: I must support the hon. member (Mr. MacInnis) who has just spoken. We find that pensions granted to retired judges start off at \$6,666.66 for the first judge in the list, and that the amount for the second one is \$12,000, or a pension of \$1,000 a month. I come from a part of the country where many of our people have much difficulty in getting old age pensions at the age of seventy. They have to submit proof of birth, and all that sort of thing. If they receive \$15 to \$20 a month they are receiving the maximum which can be granted to them. It seems to me this is an item about which the minister should give more information.

Mr. ST. LAURENT: That pension of \$12,000 a year was fixed by statute when it was provided that at the age of seventy-five years justices of the Supreme Court of Canada would be retired. That was provided for judges who had been appointed at a time when the appointment was for life. When the statute was amended to provide for their retirement at the age of seventy-five years it was provided that those who were appointed before the change was made would be retired on a pension equal to full salary.

Item agreed to.

Penitentiaries branch.

97. Branch administration, \$111,597.

Mr. JACKMAN: Would the minister give the committee a statement as to the number of penitentiary prisoners used in war work?

Mr. ST. LAURENT: I believe that practically all have been used in war work. There has been an effort in all the penitentiaries to disregard for the time being the objection which used to be made that there should not be competition of prison labour with ordinary civil labour. Under the exigencies of the war situation we came to the conclusion that that objection should not be considered as valid, and that we should have done by prisoners in penitentiaries as much useful work as possible.

[Mr. MacInnis.]

For instance, we are taking to the penitentiaries uniforms and other army stores for reconditioning purposes. There has been a considerable increase in agricultural production carried on in connection with the penitentiaries, regardless of whether or not we would be producing more than would be required for consumption in those institutions. Careful attention has been given to making as good use as possible of those who are imprisoned.

Recently an arrangement was worked out between the attorney general of Ontario and the Department of Justice for the purpose of using the remission branch to issue tickets of leave to men who might be placed on farms, so that they might work out the balance of their terms there. Constantly more is being done along those lines. However since the very beginning of the war the policy has been to use to as good advantage as possible all labour available in the penitentiaries.

Mr. JACKMAN: Is it the custom of the department to pay the prisoners or their families any compensation whatsoever?

Mr. ST. LAURENT: There is no payment. There is an allocation of five cents a day placed to their credit for the purchase of tobacco, pipes and the like. There is no actual payment for work performed. Of course that does not apply to the arrangement made with the attorney general of Ontario. Those prisoners would obtain tickets of leave, and an arrangement would be made for their remuneration for any services they might render outside the penal institution.

Item agreed to.

457. To provide hereby, notwithstanding anything contained in the Consolidated Revenue and Audit Act or any other act or law, for payment out of the consolidated revenue fund to the widow of the late Right Hon. Ernest Lapointe of an annuity at the rate of \$1,800 to commence from November 27, 1941, and to continue during her lifetime, \$2,417.

Mr. STIRLING: The government has placed in the supplementary estimates an item the discussion of which is extremely difficult. I feel the diffidence I imagine most hon. members would feel in making reference to a suggested annuity to the widow of the right hon. gentleman who sat with many of us in the house. That the government has seen fit to place this item in the supplementary estimates means, I believe, that very grave consideration has been given to the matter. All I desire to say is that I doubt the wisdom of setting up a precedent. After consideration, the government has decided to offer this payment to the widow of the late right hon. gentleman. In so doing, it has created a precedent.

Mr. COLDWELL: I believe all of us who sat in the house with the Right Hon. Ernest Lapointe realized that he gave unstintingly of his ability and his services to this country. We all admired him for the work he did over a long period of years. But I feel very much as did the hon. member for Yale when he drew the attention of the committee to the item. A principle is here being established.

A case might be made out for the consideration of hon. members who have served for many years and who perhaps have sacrificed their personal careers in the service of the state. In this particular case I saw a return which indicated that over a period of years since 1904 there had been payments from the public treasury amounting to nearly \$300,000. Of that sum I believe about \$27,000 was charged to expenses, and therefore ought not to figure in the gross amount. But I think it is proper to say that in this house during the last few years we have shown no inclination to provide properly for old age pensioners, and that we have done nothing for mothers of families, who must look after those families when they are left without a bread-winner. We have widows of soldiers who have been killed in the service of their country, but who are receiving a comparatively small amount under the provisions for dependents' allowances. It seems to me that if we are going to adopt a principle of this kind we ought to adopt it for all those who serve the country, in whatever capacity they may serve. This means, of course, that practically everybody who performs any useful service during a long life is performing a service to the state. My suggestion is that we should consider, not one isolated case of this description, but the whole matter of persons left with perhaps insufficient to maintain a reasonable standard of living in the social security plan we adopt for all our people.

As has been drawn to the attention of the committee, from time to time we do make provisions for certain individuals. In one instance we have made provision to the extent of \$12,000 a year. We all appreciate the great service rendered by the late Minister of Justice, but this way of treating this particular case is open to serious criticism and objection. However, I must say that it is preferable to not bringing it before the house, to doing it in some other way. I know of Supply-Justice

another case which was objected to by the leader of this group back in 1925 or 1926, and the widow in question was placed upon the payroll of the library and, I believe, is still on that payroll although she is not performing any service for the money she receives. I noticed that case when I was looking through the estimates a couple of years ago. To my mind that was the wrong way to handle such a case and I favour the present method. If this is a necessitous case, it should be considered in the light of the situation of others who are in a similar position. I want to make that quite clear. What we want is a social security system, not the picking out of an individual here and another there. We should give to those who serve the country in any capacity that security in old age and in sickness to which they are entitled because of the services they render.

Item agreed to.

Royal Canadian Mounted Police.

320. General administration, \$238,525.75.

Mr. GILLIS: The Minister of Justice will recall that some months ago I corresponded with his department and with the Department of Finance with respect to the Royal Canadian Mounted Police guards employed on the docks at Halifax. There are some hundred men doing this work. While they are under the supervision and direction of the Royal Canadian Mounted Police, they are not paid the rates of wages received at the present time by the constables of that force. When this addition to the force was made, the understanding was that the rates paid would be those paid to constables in the regular force. Since the establishment of this guard, the Royal Canadian Mounted Police constables have received an increase of 50 cents per diem in their allowance. These guards are partly uniformed, and they have asked that they either be given the increase paid to the Royal Canadian Mounted Police constables or brought under the cost-of-living bonus regulations. I understand that the Department of Justice has recommended to the treasury board that either one or the other should be done, but unfortunately nothing has been done to date to level off the rates paid to these men who are performing an essential service. I am wondering if the new security force being set up by order in council will be treated in the same way as this guard force.

Mr. ST. LAURENT: The security control force will be treated the same as the men

Supply-Justice

in the army. If enlistments cannot be secured voluntarily, recourse will be had to the Mobilization Act to secure the necessary men. It was felt that this force should be treated the same as is done in the United Kingdom which has a similar service.

Mr. GILLIS: I should like to deal specifically with this question of the Royal Canadian Mounted Police guards. There are many of these guards across the country, particularly in the seaports, and they are doing an essential work. Most of them are ex-service men from the last war, but many are men who have been discharged from the services during this war. The rates paid are certainly not in keeping with the work they are performing. A supervisor is paid \$2 a day, with an allowance of \$1.60, making his total pay and allowance \$3.60 a day. A married man receives \$1.60 and an allowance of \$1.60, or a total of \$3.20 a day. An unmarried man receives \$1.60 and an allowance of \$1, or a total of \$2.60 a day. The great majority of these men are married, and the cost of living in seaport towns is very high. I understand that the establishment of this force was arranged between the veterans' organizations and representatives of the government, and it was decided that the rates paid would be the same as those paid to constables in the Royal Canadian Mounted Police. Since that time the police constables have received an increase of 50 cents a day. There is no reason in the world why these men should not receive the same increase.

If the treasury board is not prepared to grant this increase, then these men should come under the cost of living bonus regulations. I know the Royal Canadian Mounted Police commissioner has done everything he can to have an adjustment made, and the Department of Justice has made the necessary representations. What I am finding fault with is the fact that when certain departments bring down recommendations that certain things should be done in the best interests of the department, a few men on the treasury board can refuse to take action. I think members of this house should express their opinion whether we should have a dictatorship behind the scenes in the handling of finances and the curtailing of work which must be performed by the departments. Not only have these men on the treasury board interfered in this case, but they have interfered with the payment of dependents' allowances in con-nection with the armed forces. When the regular estimates of the Minister of Finance (Mr. Ilsley) are up for consideration I shall [Mr. St. Laurent.]

have some pertinent things to say with respect to that. I should like to hear an expression of opinion, particularly from hon. members from Nova Scotia and the Halifax district. There are perhaps 150 men engaged at that port. They work in all kinds of weather, and they must be keen about doing their job. Yet a few men on the treasury board can interfere with the recommendations of the Department of Justice and the commissioner.

Mr. MAYBANK: This cost of living bonus, which has been mentioned by the hon. member, is causing a good deal of trouble in the district from which I come. I entirely agree with what he said in so far as he was delivering strictures upon the treasury board and its interference with justice to persons who work in one way and another for the people of Canada. The attitude of treasury board should not be tolerated. I do not care which minister is present who happens to belong to it. I think treasury board considers nothing whatever except pinching a penny, and the members of it do not care whose penny they pinch.

Mr. STIRLING: That is what they are there for.

Mr. MAYBANK: I often wonder how the woman would have fared who is mentioned in the bible—

Mr. MacKENZIE (Neepawa): What do you mean by "pinching"?

Mr. MAYBANK: I will explain that even to the hon. member's satisfaction. The widow had a mite, which was a very small sum of money. She went to the synagogue and dropped it in the collection plate. She was commended by the Master and became a famous woman. Had she happened to be a charwoman in a government institution, attention would never have been drawn to her as it was drawn to the woman in the bible, because the treasury board would have got the mite away from her and she would never have been able to go to the synagogue and drop anything in the collection plate. I do not know of any organization that is responsible for more injustice in this country than the treasury board of this government. Everywhere you turn you run into cases where, because people can do nothing to defend themselves, they have had something taken away from them. In nearly all cases you find that they are either officers who cannot organize their case, or poor people who cannot speak for themselves. You will find women who are already poorly paid, and some rule takes away some small pension they

have. You find rules that persons are called "casual workers" in order to prevent them from getting the cost-of-living bonus. There is no rhyme or reason to the rules and regulations and various formulae that the treasury board adopts and promulgates. If the mounted police are not getting the cost-ofliving bonus, obviously they should get it. I do not know that the people of Canada appreciate as fully as they should the police system we have. I know that the Royal Canadian Mounted Police are held in very general esteem, but I doubt very much if their full excellence is realized. We have had quite a deal to do with the mounted police recently in connection with the defence of Canada regulations. You get an idea of the spirit of the force when you are dealing from time to time with representatives of that organization and seeing them otherwise; and I think we can say that one of the reasons we have not had a great deal of sabotage in this country is the excellence of our police force. When I consider that, as well as the ordinary justice of the case, it is amazing to me that treasury board or any other branch of the government should deny these men, as well as others who cannot speak for themselves, the cost-of-living bonus. I cannot speak too strongly in condemnation of that sort of thing.

Item agreed to.

DEPARTMENT OF NATIONAL REVENUE

Income tax division.

198. District offices, \$3,717,270.

Mr. JACKMAN: I should like to have some statement from the minister on the condition of collections in the various offices, or taking the dominion as a whole. There is a feeling, perhaps entirely unjustifiable, on the part of some that collections are not as good as they should be; that some people who should be paying income tax on their personal incomes or on their businesses are not doing so, and that there is not an adequate check. In the newspapers we see reports from time to time of prosecutions entered by the crown against people who have put in fraudulent income tax returns or who have made other evasions. Sometimes the penalties are substantial, but as compared with the penalties exacted in the United States, where income tax evasion, to judge by the fines, is looked upon as one of the most heinous of crimes, the penalties exacted in Canada are by no means severe. I wonder whether the minister would state what condition the income tax collections are in, whether or not the arrears are very substantial, and just how recently have checkups been made.

Supply-National Revenue

I know that in my own case, which is one that for certain reasons might have been gone into. I had to ask the officials in Toronto to come to my office and make sure that the returns were in adequate form. I found that in two cases the obligation was on one side and in one other year the obligation was on the other side. Therefore it was nearly three years before any clearance had been given, and I know that that condition is quite common. On the other hand, you find that in Toronto the officials will, perhaps, telephone a taxpaver because a certain item of bond interest which appeared in one year did not appear in another year. In one case which came to my attention the bond had been called, and the fund reinvested in some other security. I believe the minister should give the committee some indication whether his department is able to cope with the greatly increased amount of work which it has to undertake to-day, and whether he can get the necessary accounting personnel and inspection personnel to do the work which the present burden throws upon his department.

Hon. C. W. G. GIBSON (Minister of National Revenue): Of course the work of the income tax department has increased tremendously. Collections for 1941-42 amounted to over \$652,000,000. The staff has increased, not in proportion to that increase, but from 1,755 in 1940-41 to 2,416 at the end of the 1941-42 period, and we expect to further increase it to 3,111. There has not been any great increase in the percentage of taxes outstanding. Of course we have not cleaned up all the arrears, which are always being subjected to scrutiny, and consequently there are outstanding amounts which are under dispute, and in some cases two or three years old. But as a whole the percentage of collections has held up very well, as the collections indicate. There is difficulty in getting trained personnel, particularly chartered accountants, and every effort is being made to secure them. We are hoping to have the national war services department grant postponements to chartered accountants when they are required for essential services, because be feel they are a special class which should be granted special consideration on account of their technical ability.

Mr. GILLIS: With regard to the refundable part of the taxes, I believe an arrangement has been worked out whereby the employee registers his application with the employer—

Mr. GIBSON: I suggest that this question be brought up to-night when the income tax bill is being considered.

Item agreed to.

At six o'clock the committee took recess.

Auditor General's Report

After Recess

The committee resumed at eight o'clock.

Progress reported.

PRIVATE BILL

FIRST AND SECOND READINGS

Bill No. 125, for the relief of William Taffert.-Mr. Bercovitch.

AUDITOR GENERAL'S REPORT

PROPOSED CHANGES IN METHOD OF PUBLICATION OF PUBLIC ACCOUNTS—AUDIT AND TREASURY CONTROL OF CROWN CORPORATIONS

Hon. J. L. ILSLEY (Minister of Finance): Certain hon. members asked that I make a statement on the public accounts before the end of the session. With the consent of the house I should like to make that statement now.

On June 4 last, in reply to some criticisms made by the hon. member for Témiscouata (Mr. Pouliot) in regard to the detail with which information on government expenditures is supplied to parliament, I stated that the whole matter was under active consideration at the time, and promised that before the session closed I expected to be able to make some recommendations, which recommendations the house might adopt if it wished to do so.

On that occasion I pointed out that information in regard to the financial operations of the government are presented to parliament in two different documents: one, called the public accounts, which is a report made to me by an official of the government, the deputy minister of finance; and the other, the report of the auditor general, an officer of this parliament and answerable to this parliament. There had been some criticism of the form of the public accounts, which, as I stated, are in the same form and practically of the same dimensions as they have been for a great many years, but in some cases at least what was really being criticized was the form of the auditor general's report.

With two reports covering the financial activities of the government, it is only natural that such confusion should take place. I therefore indicated that we have had under active consideration the question of "whether the form, the amount of detail, in both the public accounts and the auditor general's report should not be changed," and whether parts of the material now published in the auditor general's report should not be incorporated in the public accounts in order to [Mr. Gibson.] let the Minister of Finance take direct responsibility for it as the head of the Department of Finance.

In the course of our consideration we have studied not only the law and the historical background relating to the reports to parliament on government revenues and expenditures, assets and liabilities, et cetera, in so far as Canada is concerned, but also the practices followed by the United States, the United Kingdom, and the other British dominions. Our desire was to draw from all possible sources lessons and suggestions as to the best possible way in which to present to parliament the information necessary to enable it to exercise wisely and efficiently its control over financial matters and assure itself that the executive arm of government is properly carrying out its stewardship. As a result of the study and consideration given to the whole matter, I am glad to be able to announce that the government has decided to accept certain recommendations made jointly by the auditor general, the deputy minister of finance, and the comptroller of the treasury. The government believes that these recommendations are sound, and, if they commend themselves to the judgment of the house, they will be implemented with respect to the accounts for the current fiscal year.

The essential feature of these recommendations is that there should be tabled under a common cover both the public accounts and the auditor general's report; that in future this single document should be called the public accounts, and that, in recording the outlays made by government departments and agencies, the "details" of expenditures printed in the estimates should be followed, but supplemented by such other material as the Minister of Finance may consider necessary to elucidate adequately the uses to which the grants made by parliament have been applied.

To be more specific, the contents of the single report would be organized substantially as follows:

(a) Part I, to consist of an over-all survey and report of the financial operations of the year in such form as will clearly portray the policies followed.

(b) Part II, to consist of the balance sheet of Canada, certified by the auditor general.

(c) Part III, to consist of the revenues of the year classified by departments and sources; this to be signed by suitable executive officers and certified by the auditor general.

(d) Part IV, to consist of expenditure statements as submitted by the comptroller of the treasury and certified by the auditor general. (e) Part V, to consist of such miscellaneous statements as may be necessary to report all transactions not included in the preceding parts.

(f) Part VI, to consist of the report of the auditor general on the statements in the preceding parts and on such other matters as he is required to report to the House of Commons.

It will, I think, be apparent at once to the house that a single report of this type will be an enormous convenience to members in their work of analysing and appraising the multifarious transactions which are necessarily involved in the receiving and spending of a sum of money approximating four billion dollars. When sums of this magnitude are expended in millions of individual transactions. the work of the member who seeks to understand the operations of government is bound to be difficult enough in any case; it is incumbent upon us, I think, to see that he does not have to wade through a chaotic mass of material scattered over two massive volumes, each covering largely the same field but in a different way. It seems to me, also, that presentation of the accounting records relating to expenditures on the same basis as the details in the estimates should facilitate a better control by the house when voting supply.

In regard to the degree to which itemization of detail will be carried, it will be noted that responsibility for decisions in this field will in effect have to be assumed by the Minister of Finance, because the deputy minister of finance and the comptroller of the treasury are his officials. Probably the Minister of Finance should be in a better position than anyone else to give directions as to the nature of the breakdown necessary to elucidate transactions of interest to the house. If the minister does not go far enough to satisfy hon. members he can be called to account on the floor of the house.

In so far as I personally am concerned, my attitude will be to place primary emphasis on the necessity of disclosing to the house all information that is really useful in enabling it to perform its essential functions. Naturally, in regard to war expenditures, considerations of secrecy will have to be kept in mind because of the necessity of not giving aid to the enemy; in regard to all expenditures there are also considerations of man-power shortage and cost which call for every practicable economy consistent with the public interest. In this latter connection I may add that I hope the new procedure will lead to certain savings in staff and in cost by the elimination

of some duplication existing at present in the accounting work of the Department of Finance and the auditor general's office.

The public accounts and the auditor general's report for the fiscal year 1941-1942 are now in the course of preparation and must be ready this autumn. It is impossible to effect the various changes in organization and staff and the necessary adjustments in accounting systems in time to implement the recommendations I have outlined above, in connection with the reports now in preparation. If, however, the recommendations are satisfactory to the house, they will be put into effect in time to have their results appear in the report for the current fiscal year, which will be issued in the fall of 1943. I am advised, however, that the auditor general's report for the last fiscal year is being enlarged so that the house will receive a fuller disclosure of information, for which some members have been asking. Last year, for reasons beyond the control of the audit office, it was found to be impracticable to bring together a tabulation of payments to war contractors, charged to the Department of National Defence, at any figure under \$25,000. That task, it will be noted, is statistical rather than audit, but the audit office has installed a punch-card equipment which will enable the record to be carried down to payments as low as \$10,000, a figure which should give a good over-all coverage. I believe an attempt will be made to make the record as illuminating as possible within the limits imposed by necessary considerations of secrecy. In regard to the departments generally, there will be certain variations in the details of the accounting record. In some cases a break-down of expenditures under a particular vote into payments of \$1,000 or less will be necessary to give a clear picture of what has happened, while in other cases a \$5,000 minimum may tell the story fairly. That, I understand, will be the general objective of the auditor general-to tell the story in all cases in as clear and simple a way as may be practicable.

I trust that what we are trying to do this year will prove acceptable to the house under all the circumstances and that the more important changes which I have recommended in regard to the report which will appear next year will be warmly welcomed.

I was also asked to make a statement or give the house some information as to the audit and treasury control of crown corporations. I have a statement on that subject which I now lay on the table.

Auditor General's Report

Mr. J. R. MacNICOL (Davenport): If it is in order I should like to say just a word with regard to what the minister has said in reference to a wider description to be given in the public accounts. In years past I made an earnest study of the public accounts and the auditor general's report, and they gave very full and extensive surveys of the expenditures of each department. I am glad to say that the minister is going to return, to a large extent, to the former system; if I understood him correctly he said that general accounts relating to the departments would be shown as low as \$5,000.

Mr. ILSLEY: I think it is \$10,000 in connection with war contracts.

Mr. MacNICOL: I should like to see the report go a great deal lower than that. An item for \$5,000 is quite large. If, for instance, one wants to look up something pertaining to Indian affairs, in connection with the motorboats or motorcars used in connection with Indian agencies, and so on, a limit of \$5,000 would be too high to enable one to look very closely into the expenditures of many departments. However, as one who has pressed very hard for a more extensive report in connection with the public finances, I am glad to see that at least we are getting some concession. The hon. member for Témiscouata (Mr. Pouliot) is not in his place at the moment, but he also has pressed for this more complete breakdown of expenditures, and I feel it my duty on his behalf, too, to thank the minister for this action. I want to compliment the hon. member for Témiscouata upon having pressed for the same thing that I have been requesting, together with others in the house.

Mr. ILSLEY: The hon. member for Wellington North (Mr. Blair) made a similar request the other day.

Mr. MacNICOL: Yes, but the hon. member for Témiscouata and I have been at it for quite a while, together with the leader of the opposition (Mr. Hanson).

INCOME WAR TAX ACT

The house resumed consideration in committee of Bill No. 115, to amend the Income War Tax Act-Mr. Ilsley-Mr. McCann in the chair.

On section 1-Normal tax.

Mr. STIRLING: Following the remarks made by the leader of the opposition on second reading, it appears to some of us that it is almost futile to endeavour to take up a bill of this magnitude and extent and attempt to dissect and debate it in a matter [Mr. Ilsley.] of hours. A couple of weeks would not be too long for that. I would suggest, in order to facilitate the work of the committee, that as we go through the bill the minister might be good enough to describe clause by clause what is new in the printed bill. I think that might go a considerable distance in elucidating the subject before the committee. Some of us had an opportunity of reading the mimeographed sheets that were distributed, but even with that assistance it is far too large a measure for us really to dissect it in the hours, probably, that are at our disposal.

Mr. ILSLEY: I will try to do that, Mr. Chairman. I should not like to be held to a rigid undertaking to bring to the attention of the committee everything that is new, but I have tried very hard to keep new features out. There are a number of provisions that I should like to have inserted in the bill, but I knew they would just open up discussion, and since it was getting late in the session, these sections follow the resolutions very closely. Of course it is one thing to draw up resolutions which give a general idea of what one intends, and another thing to put those intentions in the form of a bill. When the attempt is made to do so, all kinds of minor difficulties arise, and minor questions of policy have to be decided in drawing the bill. I will bring to the attention of the committee everything I can think of. I do not think there is anything new in the rules contained in section 1.

Mr. STIRLING: I believe a considerable amount of discussion took place in the resolution stage.

Mr. ILSLEY: Oh, yes; there was a very long debate on the resolutions, and so far as I know there is no change of any importance in these rules. I have an amendment to be moved to rule 2 on page 7 of the bill. The amendment is that rule 2 of section 1 (3) of this bill be amended by adding thereto the following proviso:

Provided that the aforesaid amount of \$1,600 shall not apply in respect of female commissioned officers, and that the governor in council may by order fix an amount to apply in respect of such female officers, having regard to differences in pay between male and female warrant or non-commissioned officers.

That gives the governor in council a little power, but clearly it is inappropriate to put a floor of \$1,600 under the tax of the female commissioned officers, because their pay is only about two-thirds that of the male officers.

Mr. GIBSON: I so move.

Mr. STIRLING: Is that (c) in line 24?

Mr. ILSLEY: It is a proviso put on at the end of (b). It is not (c). This is at line 23 of page 7, after the word "children".

Mr. NEILL: And will it be (c)?

Mr. ILSLEY: No, it is a proviso.

Amendment agreed to.

Mr. ILSLEY: My officers direct my attention to one small change in these rules. It was provided in the resolution that the normal tax should not operate to reduce the income of a married person below \$1,200. These rules provide that neither the normal nor the graduated tax will.

Mr. STIRLING: Is that on page 2?

Mr. ILSLEY: That is at the bottom of page 6, and the top of page 7, and involves a slight change from the resolution.

The ACTING CHAIRMAN (Mr. McCann): Is section 1 carried?

Some hon. MEMBERS: Carried.

The ACTING CHAIRMAN (Mr. McCann): On section 2; shall section 2 carry?

Mr. NOSEWORTHY: Do I understand by the change in section 2 that a married man may earn \$1,200 and his wife \$660 and be exempt from taxation, provided she is working?

Mr. ILSLEY: The hon. member is now going back to section 1. I understood that section 1 was carried. But if the hon. member wishes, we will return to that section. We did not take it up rule by rule. I suggest, Mr. Chairman, that we refer to these as clauses. Is it the practice to refer to the sections "as clauses, or to the clauses as sections?

The ACTING CHAIRMAN (Mr. McCann): The numbers in heavy black are the sections. For instance, section 1 goes to the middle of page 7. The subsections are the rules.

Mr. ILSLEY: There seems to be some ambiguity about that. The method you have described, Mr. Chairman, is the one we usually follow. The trouble is that the rules are divided into sections.

The ACTING CHAIRMAN (Mr. McCann): Do you wish to take them up in detail?

Mr. ILSLEY: No, I do not.

Mr. FRASER (Peterborough West): Take them up page by page.

Mr. ILSLEY: I think section 1 of the bill is carried.

Income War Tax Act

The ACTING CHAIRMAN (Mr. McCann): Section 1 is carried. The next is section 2, at page 7.

Mr. ILSLEY: Correct.

Mr. NOSEWORTHY: May I have an answer to my question?

Mr. ILSLEY: Then section 1 is not carried. The hon. member wishes to go back to what part of section 1?

Mr. NOSEWORTHY: The section referring to the exemption of a married woman that gives the husband the right to be taxed as a married man. My question is: does that give an exemption of \$1,860 on the two incomes? The husband gets an exemption up to \$1,200, and the wife up to \$660.

Mr. ILSLEY: If the wife's income is earned income, that is correct.

Mr. NOSEWORTHY: What is the tax which that couple will pay if the husband's income is \$1,860 and the wife stays at home to raise two children? Would it be \$153?

Mr. ILSLEY: Something in that neighbourhood. I see what the hon. member is driving at, and I should like to know whether he thinks we should do that.

Mr. NOSEWORTHY: I agree with the principle, but I think there should be some exemptions in lower income brackets for the married man with a family. For instance, I have worked out a table which shows that the married man without children is exempt to \$1,200. If he has \$1,250 he pays the entire \$50 in taxation. If he gets \$1,300 he pays the \$100 in taxation. That is 100 per cent of his increase over the \$1,200. If he has \$1,350 he still pays 100 per cent of his income over \$1,200 in taxation. If he has \$1,400 he pays 68 per cent of his increase over \$1,200 in taxation. The higher his salary or income becomes, the lower the percentage he pays on his income over \$1,200.

Mr. ILSLEY: But he gets half of all this back.

Mr. NOSEWORTHY: That applies until you get to \$2,500, and then it starts to rise. And the higher his income becomes, the higher the percentage on income over \$1,200 he pays. It looks as though the budget is in reverse up to \$2,500.

Mr. ILSLEY: It is just in reverse of what the hon. member says it is.

Mr. NOSEWORTHY: That is, the lower a man's income, the more of his income over \$1,200 he pays in taxation. The same applies to the married man with one child. At \$1,250

he pays 100 per cent of his income over \$1,200. At \$1,300 he pays 63 per cent. At \$1,350 he pays 44.3 per cent, and then the amount is reduced until you reach \$2,000. Then he starts to climb again. The same principle applies to the man with two children, except that it is a little worse. I am wondering on what principle the budget was built, in respect of the very low income brackets.

Mr. ILSLEY: The principle was to protect the taxpayer against having his income depressed below a certain level. If we take that out, we can meet the hon. member. But it is because we have a floor in there, a provision that, whatever tax we put on, it shall not go below \$1,200 or \$660, that the feature arises about which the hon. member has spoken.

Mr. NOSEWORTHY: With respect to the base according to which 30 per cent is charged on the first \$500 or portion thereof over \$1,200, does the minister not think that it would work out better to have that broken down, instead of taking 30 per cent on the entire \$500?

Mr. ILSLEY: The national defence tax principle was incorporated in this bill. That is, you go all the way down to the first dollar after you get above a certain level, with the proviso that the taxes shall not reduce the income left below a certain level. The result is that a person who gets slightly over that level has a larger proportion of the income in excess of that level taken. The national defence tax principle was pretty well accepted for a couple of years and we decided to adopt it, but to alter it as well.

Mr. MARSHALL: It is raised.

Mr. ILSLEY: Seven per cent instead of five, but half of it is returned.

Mr. NEILL: Apparently the explanatory notes do not agree with the bill. On the first page of the explanatory notes we find No. 3 which is divided into three, and then the last of those is divided into two. Where in the bill shall I find this subsection:

The aggregate investments and activities of a number of persons are to be taxed as if they had carried on the business in corporate form, securing equality between investors.

Mr. ILSLEY: That will be found on page 8 of the bill, line 29. The hon. member has read section 3, subsection 3, paragraph 3, and that is what appears in the bill. It may be a little difficult to follow, but it is correct.

Mr. NEILL: The subsection which reads: "where any person acts"?

Mr. ILSLEY: That is right.

Mr. NEILL: What does it mean?

[Mr. Noseworthy.]

Mr. ILSLEY: That is the tax on the royalty company.

Mr. JACKMAN: With regard to the provisions that a married woman can earn \$660 without having her bracket deducted from her husband's salary, this is putting a premium on marriages without children. A married woman who has no children is free to work. whereas the wife of a husband with a family of two, four or five children is unable to leave home and cannot bring in any income. The family where the woman works is obviously better off under this provision, not only from the point of view of increased income but from the point of view of taxation, because \$1,800 as a combined income of the two would be taxed less than a similar amount being earned by a husband alone. I remind the minister that he has had to make a change here in order to comply with human nature. In many respects the budget does not take account of the fact that there is such a thing as human nature. If the budget provisions were framed with a greater recognition being given to that factor, I think the minister would find that there would be a greater contribution to the war effort. I should like to quote a Canadian Press dispatch, dated Ottawa, July 2, as follows:

A finance department spokesman to-night expressed the opinion that there would be no widespread move by married women to quit their jobs because of the increase in income tax rates imposed under the new budget. A couple would be better off financially because the wife worked and also she would have the joy of knowing she is helping Canada in these critical times.

Once again I suggest that if the minister would consult the members of this house or a committee of the members of this house, he would not run into these errors which result in subsequent changes.

Mr. McNIVEN: Is the schedule which appears on page 3 of the bill the same as that given to the house by the minister when he presented his budget on June 23 and which appears on pages 3582 and 3583 of Hansard? One example given on page 3583 is that of a man with an income of \$4,000. He is shown as paying a gross tax of \$1,148. Under the schedule which appears on page 3 of the bill an income of \$3,500 would pay an initial tax of \$1,300, and another \$500 would pay a tax of 45 per cent, or \$225 in addition, making a total of \$1,525. To this would have to be added 7 per cent normal tax, or another \$280, making a total of \$1,805. The income referred to on page 3583 of Hansard is that

of a married man with two children. Therefore he would be entitled to a deduction of \$366, which would leave a remainder of \$1,439, under the schedule on page 3 of the bill.

Mr. ILSLEY: Has the hon. gentleman subtracted \$660 from the income?

Mr. McNIVEN: Rule 1 reads:

For the purposes of this section, the income of every person, except trustees or other like persons acting in a fiduciary capacity, shall be subject to a deduction of \$660.

The rule then goes on to consider incomes of various amounts, which would lead one to believe that they were exclusive of the \$660. I am just curious to know if there has been a revamping of the schedules as originally presented by the minister in his budget speech on June 23, and if the tables as presented in that speech accurately reflect the rates contained on page 3 of the present bill.

Mr. ILSLEY: The point raised by the hon. gentleman is one of draftsmanship; there has been no change. The procedure is to apply rule 1 and then apply rule 2. This means that the \$660 comes off and then rule 2 is applied to the remainder. If that is done, the results will be exactly as stated on *Hansard*. I do not think the hon. gentleman has taken off the \$660 before applying rule 2.

Mr. McNIVEN: I did when dealing with the schedule on page 3 of the bill, but I am not certain that it was done in the minister's table which appears on page 3583 of *Hansard*. That is, the \$4,000 income referred to on page 3583 of *Hansard* might really mean a gross income of \$4,660.

Mr. ILSLEY: So far as the statements made in the budget are concerned, the annual income in the left-hand column did not mean, after the deduction of \$660, it included the \$660.

Mr. NEILL: Should not that section, line 33, read: "On the first \$500 of taxable income"?

Mr. ILSLEY: This is the theory of this drafting. Look at rule 1:

For the purposes of this section, the income of every person, except trustees or other like persons acting in a fiduciary capacity, shall be subject to a deduction of \$660.

The draftsman thought he was saying, "For the purposes of this section the income shall be deemed to be the income less \$660—in excess of \$660". That is the way it will be interpreted, as far as that goes.

Mr. NEILL: Well, that is why I suggested it should be \$500 taxable income.

Income War Tax Act

Mr. ILSLEY: To make a change here, unless we are sure, is just as dangerous as can be. It is that kind of changing which has been going on for weeks and has to stop at some time, but if it is clear that the change should be made it certainly ought to be made. But that is the theory of the drafting of these rules, that really the rule defines income as being the income less \$660 for the purpose of these rules. For the purpose of this section of the rules, section 2, income shall be taken to be income subject to a deduction of \$660.

Mr. NEILL: Yes, but it requires the language of the minister to make it clear, whereas the inclusion of the word "taxable" would require one word instead of a number of words.

Mr. STIRLING: May I point out that earlier the minister said that rule 1 must be applied before rule 2. If you apply rule 1 you will arrive at a certain figure of income; on that you will apply rule 2.

Mr. ILSLEY: Yes. That comes to the same end as the other.

Section agreed to.

Section 2 agreed to.

On section 3—Superannuation or pension fund payments.

Mr. ILSLEY: At the very end of that section is a subsection providing for the taxation of royalty companies, and the hon. member for Calgary East has suggested that there should be words making it clear that the trustee shall have the right to deduct the taxes which he must pay the government of Canada from the royalty owners. Therefore the following amendment has been prepared:

That subsection 3 of section 3 of the Income War Tax Act as contained in subsection 3 of section 3 of this bill be amended by adding thereto the following: and any taxes paid by the trustee under this act or the Excess Profits Tax Act, 1940, may be abarred by the trustee to the trustee of t

and any taxes paid by the trustee under this act or the Excess Profits Tax Act, 1940, may be charged by the trustee rateably to those persons having such interest in such proceeds and deducted from the amounts due them by him.

Mr. GIBSON: I so move.

Amendment agreed to.

Section as amended agreed to.

Section 4 agreed to.

On section 5-Deductions for superannuation or pension fund.

Mr. FRASER (Peterborough West): As regards superannuation and pension funds, in the bill as it was originally, it was stated to be in regard to pensions not repayable during the continuance of such employment. Under some of the companies' pension schemes under our pension scheme—payments made into the pension fund by an employee may be repaid without the man leaving the employment, provided he withdrew from the plan, in which case he would lose the company's contribution also. Would that be in that class, or covered there? They pay in half and he pays in half to the pension fund, but the plan is that he can get it back in case he has sickness or for other cause.

Mr. ILSLEY: The hon. gentleman is talking about the offsets against compulsory savings, a matter which comes up later.

Mr. FRASER (Peterborough West): Well, this bill is so much different from the other, it has us all confused.

Mr. NEILL: In subsection 7 of section 5 it states:

(q) subsistence allowances of commissioned officers of the Canadian naval, military and air forces, except to the extent that such subsistence allowances in any case exceed \$1.70 a day.

Is that deductible from the refundable portion of the tax? Is that what it means?

Mr. ILSLEY: No. This was a provision that subsistence of officers should not be taxable except to the extent that the subsistence exceeds \$1.70 a day. In the past the subsistence allowance has been regarded as part of the income of the officer and, whether he received it or not, whether he got rations or an out-ofquarters allowance, it was fixed at 70 cents, to be very reasonable about it. But in making my proposals with regard to the relief of commissioned officers, I proposed that we wipe out the subsistence for taxation purposes, though only to the extent of \$1.70 a day. Some of the higher officers get much more than that, \$3, or more than \$3 a day. It is really income, there is no doubt about it, and a substantial part of income. But we are making it \$1.70.

Mr. NEILL: Does the officer get \$1.70 in every case even if he is living in barracks?

Mr. ILSLEY: Only if he is living out. The hon. member for Yale (Mr. Stirling) asked me to draw attention to changes, and I said I would as far as I could. There is a provision on page 10, line 23, which is an amendment to a provision of the Income War Tax Act relating to superannuation or pension funds or plans. The present provision of the Income War Tax Act is that lump sums may be paid by companies into their pension plans to augment them if they consider it necessary, and they may deduct from their income, for [Mr. G. K. Fraser.] taxation purposes, one-tenth per annum of that lump sum payment over the following ten years. That is the present provision in the law. This provision amends that and preserves the rights of those who have done that in the past, and is, we think, a much fairer arrangement. It provides for the opinion of an actuary and the advice of the superintendent of insurance and allows for serial payments as well as lump sum payments. It is a complicated question, but a great deal of thought has been given to it and I think it is an improvement on the old plan. I would not have mentioned it but for the fact that the hon. gentleman wanted me to call attention to any changes that were made.

I think I should also direct attention to the change at the top of page 11 with regard to medical expenses. There was some demand that we should add practical nurses, and we have gone to some extent in doing this. Everyone understands the dangers of evasion and the difficulties there would be if we went the whole way and simply included practical nurses along with registered nurses. But we have included "the salary or wages paid to one full-time attendant upon the taxpayer, his spouse or any such dependent, who was throughout the whole of the taxation period necessarily confined by reason of illness, injury or affliction to a bed or wheel chair and including also the salary or wages paid to one full-time attendant upon the taxpayer, his spouse or any such dependent who was totally blind throughout the whole of such taxation period and required the services of such an attendant." We have added that to the costs of attendants under such conditions, and it comes in as well as the expenses of nurses.

Mr. FRASER (Peterborough West): Would that be for a blind person registered with a blind institute?

Mr. ILSLEY: It applies to the totally blind, I do not know whether registered or not.

Mr. JACKMAN: I commend the minister for the change, but is it not unduly stringent where it 'says "spouse or any such dependent, who was throughout the whole of the taxation period necessarily confined by reason of illness, injury or affliction to a bed or wheel chair". Does that not mean that the person must be a chronic invalid?

Mr. ILSLEY: That is the intention.

Mr. JACKMAN: Otherwise there is no assistance.

Mr. ILSLEY: No.

Mr. NEILL: When this bill was last before the house considerable discussion turned upon the fact or alleged fact that a junior officer received less pay, having to pay income tax, than a senior non-commissioned officer, who does not pay income tax. Was that taken care of?

Mr. ILSLEY: Yes. The hon. member will see if he turns back to page 7, rule 2 and rule 7. That is the \$1,600 provision, the one I amended in respect of the female commissioned officers. That is designed to prevent what the hon. gentleman has mentioned. It will prevent it in two of the services, not wholly in the naval services.

Section agreed to.

Sections 6 and 7 agreed to.

On section 8. Reduction of tax payable by reason of voluntary savings.

Mr. NICHOLSON: Has the minister any information as to the amount of money still outstanding in connection with the home improvement plan? Have representations been made to him with regard to payments under that plan as provided under 7A (d), covering principal payments under mortgage or agreement of sale? The Department of Finance has a financial interest in these payments, and representations have been made to me that they come within the same category as payments on mortgages.

Mr. ILSLEY: There have been a few representations to the effect that we ought to include them and put them in the same category as payments on the principal of mortgages, but I do not think they are in the same category. They are personal debts. There is no lien on the property. If he does not pay the debt he does not lose his property because there is no lien or mortgage on it. If we allow those debts we shall be led into the allowance of all debts. I have an amendment to move to section 8:

That the first four lines of clause 8 be struck out and the following substituted therefor:

1. Section 7 of the said act, as amended by section 12 of chapter 18 of the statutes of 1940-41, is repealed.

2. The said act is further amended by adding the following section immediately before section 8 thereof as section 7A and that the word "or" at the end of subparagraph (i) of paragraph (b) in line 34 be struck out and the word "and" be substituted therefor.

Those are the amendments. They do not change the effect at all.

Income War Tax Act

Mr. EVANS: In connection with the reduction for payments on mortgages, would agreements of sale be in the same category?

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): Will a wife be allowed to take as a deduction from the graduated tax the amount which her husband otherwise would be taking? It seems to hang on a technicality as to whose name the property stands in. In this case the husband has gone overseas and the wife is paying this out of her own income.

Mr. ILSLEY: Is the property in her husband's name?

Mr. FRASER (Peterborough West): Yes; he is a soldier overseas.

Mr. ILSLEY: No, she has not that privilege.

Mr. FRASER (Peterborough West): Does the question I asked in regard to pension plan come under this?

Mr. ILSLEY: Yes.

Mr. FRASER (Peterborough West): Under this pension scheme payments made into the pension fund by the employee could be repaid without the man leaving the employment, provided he withdrew from the plan, in which case he would lose the company's contribution also. He pays half and the company pays half.

Mr. ILSLEY: I hesitate to give rulings instantaneously on these questions, but I am of opinion that that pension fund or plan would qualify, that payments into it could be used as offsets against the refundable portion of the tax. The ruling will be given by the Department of National Revenue, but the principle that applies is whether the employee would have been eligible for participation in that scheme if he were not an employee of the company. If he had to be an employee to be eligible for participation, the intention is to permit payments into the plan to be used as offsets. I think he would qualify under that.

There is one thing I should like to say about annuities. I am not moving any amendment, but holders of government annuities are writing letters requesting that payments be allowed as offsets. Of course I argued that matter out on the resolution, and I shall have to stand by what I said then. But I want to point out that the intention is not to carve our government annuities and permit payments on other annuity contracts to count as offsets; the intention is to apply the principle which is stated here in the bill, without discrimination between contracts, whether government or private. I want to make that very clear. I should think that the application of that principle would disqualify payments on government annuities. It might also disqualify payments on various other annuity contracts. I would not want it to be thought that we are framing something deliberately to disqualify payments on our own annuities. I think we must adhere to the principle, which is that the premiums cannot be postponed without substantial loss to or forfeiture by the taxpayer. That is the principle we have to stand by. If we depart from that, we shall be letting in all kinds of things.

Mr. NEILL: Is there no forfeiture under government annuities?

Mr. ILSLEY: I do not know of any. My understanding is that a person can discontinue the payments and not suffer at all; he can pick them up again after five years. If he cannot afford to continue them in the meantime, he can continue when he gets his refundable tax back.

Mr. FRASER (Peterborough West): On some annuities for the first few years if one had to drop them he would certainly lose money.

Mr. ILSLEY: How?

Mr. FRASER (Peterborough West): Because the payment to the insurance agent has to come out of it and there is a loss in some cases.

Mr. ILSLEY: Well, if they cannot be postponed without substantial loss to the taxpayer the payments will qualify as offsets, but that is a question to be decided by the Minister of National Revenue administering the measure.

Mr. FRASER (Peterborough West): I have had letters regarding annuities from people who claim that even when the war is over they might not be able to pick them up again because taxes will be so high. These people are trying to keep these annuities for their old age.

Mr. ILSLEY: They will have the money. If they do not pay it to the government on their annuity they will have paid it to the government in compulsory savings. They will have all the money, with 2 per cent interest.

Amendment agreed to.

Mr. NEILL: On the section that we have just been discussing-

(i) life insurance policies on the lives of the taxpayer, his spouse and his dependents.

—a case comes to my mind. A working man took out a policy on himself for a moderate amount; he did the same as to his wife [Mr. Insley.] and the same as to his daughter. Time went on, the girl grew up and got married, but he is still paying the premium on her policy. Would he be allowed to deduct that?

Mr. ILSLEY: No, unless she is a dependent still.

Mr. McNIVEN: The principle of savings as incorporated in the bill by the minister in his address on June 23 was very favourably received throughout the country as one of the outstanding features of the budget. I am very sorry indeed that the minister has not found it possible to include dominion government annuities within the scope of that savings feature. I have no objection; in fact I think it was a very fine thing, that he has extended exemption to life insurance premiums.

Since 1908 the dominion government has extended an invitation to the general public to provide for old age by the purchase of annuities. Up to the end of the fiscal year 1940, some 58,915 Canadians have availed themselves of that opportunity. From that number 20,416 contracts have matured, and the owners of those contracts are in receipt of a government annuity. For a time it was thought that those annuities were taken advantage of by well-to-do people, in fact rich people. But the average of the 20,000 contracts which I have just mentioned is \$416per annum. This means that the low income group are making this provision for their old age. When I mention the sum of \$416 it will be agreed that they are making a very modest provision. Then, when you come to analyse those 20,000 contracts, you find that 8,865 were for less than \$300, while only 1,559 were for \$1,200. When you look at the classof people who are taking out these contracts, you find that over 50 per cent are women, engaged as school teachers, stenographers, nurses and so on, women who contemplate having to take care of their old age themselves. They are in receipt of modest salaries. They are so living as to make regular contributions to the annuity contracts which they have purchased in the expectation that when the contracts mature they will receive the amounts: provided for.

That is the analysis of the contracts which have already matured, but there are morethan 34,000 people who have contracted with the government to make similar payments, and I think it fair to say that the contracts outstanding are of the same class as those which have matured. That is, the 34,000individuals who up to the end of 1940 had purchased dominion government annuities.

included school teachers, stenographers, nurses, business men in a small way, farmers and so on. Their savings are limited; they are not able to make provision for their old age in the manner in which they were invited to do by the dominion government and at the same time make the compulsory savings provided for in this bill. It is only because these people are among the small income group that I make this appeal to the minister. I should have mentioned that to my own knowledge there are large numbers of clergymen who have attempted to provide for their old age through the purchase of annuities. Goodness only knows that clergymen throughout this country have not been overly well paid. An hon. member suggests that they are in receipt of pensions, but those pensions are so small that they are not sufficient to support the clergymen when the time comes for their retirement.

I think the minister might well give this section further consideration and extend some concession to that very large group of individuals who are endeavouring to provide for themselves. He should not overlook the fact that the moneys paid in on account of annuities go into the very same fund as the savings made under this bill; both go into the consolidated revenue fund. What is more, money paid under these annuity contracts cannot be withdrawn until the contracts mature, unless a person dies before the maturity of the contract; it is there for an indefinite period. It is true that under the compulsory savings feature the money is retained for a period after the cessation of hostilities, but it is almost certain that most of that money will become payable long before the great majority of the annuities now in force will mature.

Mr. ILSLEY: I want to make it perfectly clear that persons who buy government annuities, or who have bought government annuities, as far as I can see are not hurt at all except to the extent of 2 per cent per annum on their premiums. Let us consider the situation of one who has bought a government annuity; let us say that I bought one on which the premium is \$100 a year.

Mr. JACKMAN: I think anyone can see that there is no harm done; but, if the minister will allow me to say a word or two, I cannot possibly see where the difference lies between the government annuity and life insurance. I support the contention of the hon. member for Regina City. I have had a number of letters from nurses, young women in business and older people who are trying to make some provision for their old age. I fail to see where a person is discriminated

Income War Tax Act

against if he fails to pay the premium on a life insurance policy which, let us say, has been in force for more than three years, as will be the case with the great majority of people. Of course some will be brand new, and there would be a real discrimination there. I do not want to bring up this matter with any idea whatever of lessening the number of savings contracts that may be used as offsets against the minimum saving requirement, but where is the substantial loss or forfeiture to the taxpayer if he lets his premiums fall by the wayside for three or four years? The majority of the people had to let their premiums go during the depression, and then when times got a little better they picked them up again.

The second point is that under section 5 there is provision whereby people who belong to large institutions, insurance companies and large corporations, are not only allowed to save money but get a tax deduction of up to 5 per cent of their salaries, whereas the people who pay money into a government annuity are allowed no tax deduction. The coupling of sections 5 and 8 I think works a very great discrimination in favour of the person saving with the large institution, as against the person who has the foresight, sagacity and energy to provide for his or her old age.

The third point is that if the minister does not allow people to continue to make payments under their government annuities, under which the government gets the money, which cannot be withdrawn, but instead makes the people pay part of their tax in the form of a minimum savings requirement, then perforce these people will have to drop their government annuities, and as I see it the government will be no better off. With those people it is entirely optional whether they pay the minimum amount of savings or pay the money into a government annuity. The reasoning of the minister in endeavouring to follow his own principle "without substantial loss and forfeiture" is again fallacious, and I think he is working a real hardship on a large body of people with small incomes who are endeavouring to provide for their old age through the purchase of dominion government annuities.

Mr. ILSLEY: The person who insured his life in the early years of the policy at least does expose himself to substantial loss or forfeiture by letting his premiums lapse, because he cannot get a loan on the policy to keep it going. The hon, gentleman must be talking about a policy that is so far advanced that the individual can get a loan of enough money to carry the policy for a few years.

Mr. JACKMAN: The average policy.

Mr. ILSLEY: The question is whether in connection with life insurance we should have tried a time limit, whether we should have said that the policy would qualify if it had run for five years and would not qualify if it had run for six years. The moment we get refinements like that we get into a field where it is impossible to make a rule, and hon. members, like the hon. member for Rosedale, would rise in their places and ask why, if it was all right for five years, it would not be all right for six years.

Mr. JACKMAN: That is the minister's suggestion, not mine.

Mr. ILSLEY: Just a moment. The way in which the resolution was drawn, at one stage gave some members the fear that we were going to test life insurance policies and rule on life insurance policies, and see whether failure to pay premiums really would lead to substantial losses by forfeiture. From various members the sentiment emanated that that was not a desirable thing to do. I agreed, and we did not intend to do it. We always intended to allow all life insurance, because of the impossibility of making a rule which would not give rise to a lot of discrimination.

But, generally speaking, the failure to pay premiums on life insurance hurts you. It results in substantial loss by forfeiture. Generally speaking, it is true, but the same is not true of certain annuity contracts. The only thing which happens to a person who has a government annuity contract, under the rule which we are laying down is this: If he simply cannot pay his annuity, make his annuity payment, and pay the amount to the government too-and in nearly all cases we would expect them to do that, namely to do both; we would hope they would because we certainly must expect more from most people of this country than merely the non-refundable taxes; we certainly must get more than that from them-

Mr. JACKMAN: It is optional with the person. You cannot force them to maintain a contract like that, if they cannot do it.

Mr. ILSLEY: Let me come back to what I was saying; I cannot seem to finish. If a person who has an annuity contract cannot keep up both—and as I say, in most cases I think he will be able to—then what happens? He drops one. The money goes into the consolidated revenue fund in a different way, and comes back to him later with 2 per cent interest. Whereupon he can pay up his back annuity payments, and carry on his contract. That was the way we tried to do. We are not trying to chisel him down. That would not pay. The government is trying to maintain

[Mr. Jackman.]

a principle, that is all. For application to private business, governments and everybody else it is trying to maintain a principle. If we once got away from the principle, and allowed any kind of praiseworthy or meritorious saving, then the compulsory savings part of our receipts would be very greatly diminished. They would not amount to much at all.

Mr. NEILL: You have to be cold-blooded.

Mr. FRASER (Peterborough West): I asked the Minister of National Revenue what kind of arrangement he had made with the insurance companies in regard to receipts he would require for these deductions. Has he come to any arrangement with the insurance companies as to the receipts people have to turn in with the insurance premiums?

Mr. GIBSON: No arrangement has yet been made with the insurance companies, because the bill has not yet been passed. These receipts will not be filed with the income tax department until about a year from now. Therefore there is no immediate rush to make that arrangement.

Mr. FRASER (Peterborough West): Oh, yes, there is an immediate rush, because these people who are paying their premiums will most likely have to have them in duplicate. A year from now they will find it difficult to get them in duplicate from the company. There would be a lot of writing back and forth. I am wondering if the minister has made any arrangement with the insurance companies.

Mr. GIBSON: We have not any definite arrangement, because the bill has not yet been passed.

Mr. FRASER (Peterborough West): Did the minister not discuss the matter with them?

Mr. GIBSON: I understand the matter has been discussed with representatives of the insurance companies.

Mr. ILSLEY: In pursuance of my undertaking to draw to the attention of the committee any new features, in so far as I can remember them, I want to point out that the class of straight life policies has been changed to some extent, but not to amount to a great deal. The policies which now qualify are those on the term plan, or which are of a type which provide for premiums to be payable throughout the lifetime of the insured, or until the insured attains at least the age of sixty-five years, and for a period of not less than thirty years. The premiums are slightly different from the premiums on straight life, and it is desirable to include those. Otherwise a great many policies barely distinguishable, so far as premium payments are concerned, and serving the same purpose as straight life policies, would be debarred.

Section as amended agreed to.

Sections 9 and 10 agreed to.

On section 10A-Deductions.

Mr. ILSLEY: The hon. member for Vancouver South (Mr. Green) suggested that the expression "registered prospecting syndicate" was not wide enough to include certain prospecting organizations. The statutes of some of the provinces have been examined, and we think the wording is now wide enough to include every form of prospecting organization we desire to cover.

Section agreed to.

Section 11 agreed to.

On section 12-Persons liable to income tax.

Mr. NOSEWORTHY: I understand that this section deals with the income tax on nonresidents. Could the minister give us any idea of the amount of profit which goes out of Canada to non-residents during the course of the year? I have here Hansard for April, 1941, in which the minister indicated a change in the rate of income tax on non-residents. He then estimated that this tax would bring in an amount of \$43,000,000. This seems to me to indicate that there must have been at least \$300,000,000 in profits on investments in Canada going to non-residents. Had these people been taxed as residents at last year's rates, they would have paid about \$240,000,000 instead of \$43,000,000.

Mr. ILSLEY: When was my statement made?

Mr. NOSEWORTHY: On April 29, 1941. The minister then estimated that at 15 per cent the tax would be \$43,000,000, and this means that there must have been at least \$300,000,000 in profits on investments going to non-residents. Canadians drawing that amount of profits from investments in Canada would have paid \$240,000,000 in taxes, so that, as I understand the situation, it appears that nearly 60 per cent of the investments in Canada are foreign capital, or subsidiaries of United States or other foreign companies.

Mr. ILSLEY: I have not the statistics before me. However, I had to withdraw from quite a lot of that tax a year ago. The hon. member was not in the house then, but it will be recalled that I got into some trouble in respect of that tax. I attempted to tax remittances to holders of bonds, the interest of which was payable in United States funds. There were various reasons developed why it was not desirable to continue to do so. Hon. members will recall what happened. I have no statistics on the question of non-residents. We do not tax remittances by Canadian subsidiaries to United States parent companies. We tax the profits of the Canadian subsidiaries under the Income War Tax Act and under the Excess Profits Tax Act, but we let them send their dividends home.

Mr. MacNICOL: It would not be fair to do otherwise.

Mr. ILSLEY: That is arguable. Perhaps the 5 per cent might be justifiable, but we decided not to do it. The United States tax 5 per cent under similar circumstances when the money goes the other way.

Mr. MacNICOL: Are they doing it now?

Mr. ILSLEY: We have the right to do it under our convention with the United States, but we have never done it. There is a large flow of money from Canadian subsidiaries to United States parent companies.

Section ageed to.

On section 10A.-Deductions.

Mr. McNIVEN: Would the minister permit a question under section 10A? Is it possible to get a deduction under this section for contributions to more than one syndicate?

Mr. ILSLEY: Yes.

Mr. McNIVEN: A man would be entitled to a deduction of \$500 with an aggregate of \$5,000?

Mr. ILSLEY: That is right.

Mr. McNIVEN: He might invest in half a dozen and get the same deduction on each.

Mr. ILSLEY: Yes.

Mr. McNIVEN: Five hundred dollars and up to \$5,000 in each syndicate.

Mr. ILSLEY: Five hundred dollars in each one, \$5,000 altogether.

Mr. McNIVEN: It says:

. . . and not exceeding \$5,000 in respect of the aggregate of the contributions made to any one such association, syndicate or mining partnership.

Mr. ILSLEY: That is wrong. I will suggest an amendment, that section 10A be amended by striking out the words "any one such association, syndicate or mining partnership" in lines 15 and 16 and substituting the following, "all such associations, syndicates and mining partnerships".

Mr. GIBSON: I move accordingly.

Amendment agreed to.

Section 10A as amended agreed to.

44561-321

REVISED EDITION

On section 13—Salaries and other periodical payments.

Mr. FRASER (Peterborough West): Subsection 3 provides in the case of bearer coupons or warrants that the taxes imposed by this section shall be collected by the encashing agent or debtor. Will that not put quite a strain on the banks?

Mr. ILSLEY: This is not new.

Mr. FRASER (Peterborough West): Was that done in the case of coupons?

Mr. ILSLEY: Yes.

Mr. GRAYDON: Subsection 4 reads:

In the case of interest or dividends in respect of fully registered shares, bonds, debentures, mortgages or any other obligations. . . .

Does this mean that a man who has a mortgage on his home and is paying interest to a private individual or a mortgage company will deduct 5 per cent from the interest?

Mr. ILSLEY: No. This is in connection with non-residents. This is a withholding tax.

Mr. GRAYDON: It has nothing to do with the ordinary resident?

Mr. ILSLEY: No.

Mr. MAYBANK: In connection with the section just passed I should like to ask where a definition will be found of base metals and strategic metals? Is foil considered as a mineral?

Mr. ILSLEY: There is no definition in the act. The Minister of National Revenue places his own interpretation upon these words after consultation with the metals controller or the Department of Mines and Resources.

Mr. MAYBANK: That is in the original act?

Mr. ILSLEY: No, it just works that way; that is all.

Section agreed to.

Sections 14 to 22 inclusive agreed to.

On section 23—Taxpayer's estimate of tax payable.

Mr. ILSLEY: I want to say a word about the last subsection of this section. I made a statement two or three days ago about these corporations which will, under this bill, make their payments in twelve instalments, and I said that the interest and/or penalty for deferring the payments due at the end of July and at the end of August would be 3 per cent instead of 8 per cent and that that would apply up to the end of the twelvemonth period of payments.

[Mr. Gibson.]

I wish to say two things in addition, and I want these to be brought to the attention of the companies in so far as they can be.

In the first place I appeal to the companies to pay just the same if they possibly can. I appeal to their desire to help the activities of the country and the government to that extent. I did not mean by that announcement to intimate that it was just as satisfactory to the government to have them defer their payments until six, eight, ten, or twelve months; that is not the case. We want the money to be brought in. The concession was made to meet what was represented to be an intolerably harsh situation, because some of the companies were on instalments, and the last two instalments, those due in July and August of this year, would fall due on the same dates as the two first instalments of the coming year. Then there were other companies not under the instalments, I presume, which were intending to defer one-third of their tax until August 31. Therefore that is the first point I want to make, that the government would like the companies to make payment of their instalments if they possibly can.

The second point I want to make is this. I see some hon. gentlemen smiling to think that I would be so naive as to make an appeal like that to people. I do not agree with that at all.

Mr. MacNICOL: What was the word the minister used?

Mr. ILSLEY: I said "naive". But I want to point out that, in fixing the rate of 3 per cent, which appears to be a low rate, that 3 per cent is not deductible as an expense in carrying on the operations of the company. and therefore it is not the ordinary 3 per cent that they would be paying to a bank which would be deductible as an expense of carrying on the business of the company. It is strictly not deductible, and therefore it is a less attractive rate of interest than at first blush it might appear to be.

Therefore I would ask the companies for two reasons to make their payment at as early a date as possible: first, because it is helpful; second, because it will pay.

I want to say that I am told that the other day *Hansard* reported me as giving the rate as 2 per cent, not 3 per cent.

Mr. CASSELMAN: That appeared only in part of the section.

Mr. ILSLEY: The rate was 3 per cent.

Section agreed to.

Sections 24 to 27 inclusive agreed to.

On section 28-Gift tax rates.

Mr. NICHOLSON: How much does it cost the treasury of Canada to have the section applicable? In other words, how much more revenue would be available if we did not have this section?

Mr. ILSLEY: I do not think any estimate would be possible. The revenue derived from the gift tax is not a test of what we gain by it or what we would lose by repealing it. The gift tax is a deterrent to transfers which minimize income tax, but I could not say how much of a deterrent it is. It is impossible to say.

Mr. JACKMAN: It might result in diminishing returns.

Mr. CASSELMAN: And upon which you still collect income, from the gift tax, other than the \$4,000 which is exempt.

Mr. ILSLEY: I do not know that I understand the hon. member for Mackenzie, but certainly, if I have an income on which I am paying 70 per cent and I can give away half of it, so that I and the donee each pay at the rate of 40 per cent, the government is out a lot of money in income tax. Therefore a deterrent such as this has an indirect benefit to the treasury which is probably very great but which certainly is not susceptible of measurement.

Mr. NICHOLSON: I understand that some of the larger firms have been making very substantial gifts, hoping it will have some advertising benefit, and I wondered if this might not be the time to refrain from giving any consideration in respect of gifts which are made in that way. I think it is a bad principle on which to make gifts.

Mr. MARTIN: Those are bonuses.

Mr. ILSLEY: I think the hon. member must be talking about charitable donations, or something of that kind.

Section agreed to.

On section 29-Date payable.

Mr. MacNICOL: You have been so expeditious, Mr. Chairman, that you deserve congratulations, but you went so fast that I did not notice the section which has reference to the date when private persons are to commence paying their quarterly instalments of this year's income tax. When the resolution was before the house, I believe the minister changed the date of the first payment to October.

Mr. ILSLEY: That is right—from September to October.

Mr. MacNICOL: October 15?

Mr. ILSLEY: Yes. 44561-3211 Mr. MacNICOL: And the second payment is on January 15?

Mr. ILSLEY: Right.

Mr. MacNICOL: That has not been changed?

Mr. ILSLEY: No.

Section agreed to.

Section 30 agreed to.

On section 31-Interest and dividends.

Mr. FRASER (Peterborough West): With regard to subsection 2, if you know that the earnings of, say a married man, are less than \$1,200, is it necessary to deduct the tax from his wages?

Mr. ILSLEY: It must be deducted if he is earning at the rate of \$1,200.

Mr. MacNICOL: I asked this before, but I am not yet quite clear about it. In the case of the ordinary janitor, if I may so call him, who cuts a householder's grass, and fires his furnace in the winter time, and to whom one pays perhaps \$10 a month, does one have to deduct this tax off his \$10 a month?

Mr. ILSLEY: If it is at the rate of \$1,200 a year you would have to do it.

Mr. MacNICOL: How would the ordinary householder know? For instance, I pay a man \$10 a month for cutting my grass and firing my boiler, but I do not know if he does the same thing for any other people on the street, or for how many, and therefore I would not know whether he was making over \$1200 a year or not.

Mr. ILSLEY: If the hon. gentleman pays the janitor at a daily rate—

Mr. MacNICOL: Not a daily rate but \$10 a month.

Mr. ILSLEY: How many days does he work?

Mr. MacNICOL: I suppose he cuts grass once or twice a week in the summer, and he would fire the boilers twice a day in winter.

Mr. ILSLEY: If he is working for the hon. gentleman at a rate that will work out at \$1,200 a year he ought to deduct.

Mr. MARTIN. That is not the question. As I understand the hon. member's question, it is this. Suppose that man were working for ten people from each of whom he received \$10 a month. It is supposed to be deducted at the source; who would do the deducting?

Mr. MacNICOL: Who would know for how many he worked?

Income War Tax Act

Mr. ILSLEY: The hon. gentleman does not have to make inquiries as to where he is working or whether he is working for others or not. He attends to his own knitting. If he is paying that man at the rate of \$1,200 a year he must deduct.

Mr. ESLING: Does the employer deduct both the normal tax and the graduated tax, or only one?

Mr. ILSLEY: Both under this.

Mr. ESLING: What assurance can the employer give the employee who disputes his right to collect? That is to say, who decides the controversy as to whether he is receiving \$660 a year or not? Further, will there not be a repetition of existing conditions in regard to the defence tax, which was collected under similar circumstances? Does the minister know how much defence tax was collected under similar conditions, which has not yet been refunded? I can readily see that it is impossible for the department to know, for the reason that in connection with these taxes which were deducted from persons who were not liable to taxation there was no income return. It seems to me it is only just to the government to advertise the fact that where defence taxes were collected during the past year from those who were not liable for such taxation they may apply to the government. I might say that the government to-day has \$23 which I paid to persons and passed on to the government, which persons were not liable for the tax. But there are so many people who do not know that this tax is refundable.

Mr. ILSLEY: There were 47,000 refunds in the last fiscal year in connection with the national defence tax, and the amount of national defence tax collected was \$107,000,000. There may be some ragged ends about it, but it was a pretty successful tax and pretty widely accepted. When the tax was introduced in the house a great many hon. members raised difficulties about janitors and persons receiving tips and persons hired for an hour or two every week, and one might have become discouraged about introducing such a tax. We also heard about the impossibility of ever checking refunds. But the fact that we collected \$107,000,000 in the last year and made 47,000 refunds shows that both the refund system and the taxation system have some merits.

Mr. CASTLEDEN: Has the minister any figures to show how many cases there are of people who paid the tax whose income was less than \$660?

[Mr. MacNicol.]

Mr. ILSLEY: One could not have such figures.

Mr. CASTLEDEN: In how many of the 47,000 cases of refund were people receiving less than \$660?

Mr. ILSLEY: Some of them may have been refunds of overpayments rather than refunds to persons who were not liable.

Section agreed to.

Section 32 agreed to.

On section 33—Coming into force.

Mr. ILSLEY: This section is not of much public interest. It is rather a dry section. It makes provision for the coming into force of various sections of the measure, but there was a little mistake in drawing it up. I will hand it to the Chairman.

Mr. GILLIS: I asked the Minister of National Revenue this afternoon if he could give some idea of what system had been adopted with regard to collecting the tax at the source for the refundable portion of the income tax, and he asked to have the matter left until to-night when some explanation would be given.

Mr. GIBSON: That is in regard to deductions held from the employee. The employee will be asked to file with his employer a statement showing what amounts he claims to be paying either on insurance premiums, on capital payments on mortgages, or to the superannuation or pension fund. The employer will have a list showing, first, the various rates of wages-and the tax is applicable to those rates of wages-also the total amount of the refundable portion of the tax at that rate. Consequently, when the employee files with his employer a statement showing the amount he claims to be paying, if it is equal to or less than the amount of the refundable portion the employer will deduct that from the amount he has withheld and make that allowance to the employee. Then, as the employee does not file with the employer his actual receipts but just gives the statement at the end of the year when he files the income tax return the employee will send to the department a statement with the actual receipts for these payments.

Mr. NOSEWORTHY: With regard to the exemption for principal payments on mortgage, is it understood that the mortgage must be registered in the taxpayer's own name, or may it be registered in his wife's name?

Mr. GIBSON: It must be registered in his own name.

Income War Tax Act

Mr. NOSEWORTHY: There will be a lot of property transfer.

The CHAIRMAN: The amendment is:

That the first fifteen lines of the said clause 33, namely subclauses 1 and 2 be struck out and the following substituted therefor:

"Sections 1, 33 (1); sections 1, 2, 4, 6, 7, 9, 10, 11, 12, 13, 17, 18, 19 and 21, and subsections 1 and 2 of section 3 of this act, and subsection 2 of section 3 of the Income War Tax Act as enacted in subsection 3 of section 3 of this act, and subsections 1, 3 and 6 of section 5 of this act, and paragraph 2 of subsection 1 of section 5 of the Income War Tax Act as enacted in subsection 7 of section 5 of this act, and subsection 7 of section 5 of this act, and subsection 2 of section 8 and subsection 2 of section 13 of this act shall be applicable to the income of the 1942 taxation period and fiscal periods ending therein and of all such subsequent periods. 2. Subsections 2 and 4 of section 5, and sub-

2. Subsections 2 and 4 of section 5, and subsection 1 of section 8 of this act shall be applicable to income of the 1941 taxing period and of all fiscal periods ending therein and of all such subsequent periods.

Mr. GIBSON: I so move.

Amendment agreed to.

Section as amended agreed to.

Preamble agreed to.

On the title.

Mr. JACKMAN: The minister referred in the afternoon to the fact that "it is absolutely impossible to shift any part of the war burden from one generation to a future The title of this bill is the generation". "Income War Tax Act". The income tax was first brought into this country by the Conservative government during the last war. Ever since that time we have had an Income War Tax Act, of which the bill before us to-day is just an amendment. I should like to ask the minister whether or not he believes the last war has ever been fully paid for by the people of Canada. What he said this afternoon was "the costs of the war are the costs in life, in sacrifice and in the standards of living, et cetera". If I may say so, the minister's mind is confused. What he has said refers to the human and physical costs of the war, not to the financial costs. Will he show me where the financial costs of world war No. 1 have ever been satisfied, either by this country or by any other country? Or will he show me what country throughout the world has ever paid off its national debt, unless it be the small country of Venezuela, which by a fortunate circumstance had more revenue than it knew what to do with.

Then we come to the question whether or not we should adopt a budget such as this

which entails so much taxation, or should proceed on a policy of more borrowing and less taxation at the present time. The minister had no doubt whatsoever in his mind that his budget was the only possible solution of Canada's financial problem in 1942.

The CHAIRMAN: I am sorry, but I am afraid there is more than latitude involved here. I think it includes longitude as well. This speech might be appropriate on second or third reading, but it is not in order on the question as to whether "an act to amend the Income War Tax Act" is a proper title for this bill.

Mr. JACKMAN: If you wish to rule in that way, sir-

The CHAIRMAN: Perhaps on third reading.

Bill reported.

Mr. ILSLEY moved the third reading of the bill.

Mr. H. R. JACKMAN (Rosedale): If I may continue where I left off, we find that even in the very small brackets where a man receives \$500 over and above the \$660 exemption he is subject to a 30 per cent rate of taxation. This is particularly high where the taxpayer's income has remained stationary or even receded, as has been the case quite frequently. Therefore it might be asked, why are such rates necessary? The minister has proceeded on certain assumptions, which are to his mind inviolable. He states that borowing from each other is by no means a solution of any of our difficulties, nor is borrowing from each other even to a greater degree than at present obtains a satisfactory method of helping to finance the great war effort. He stated that if that were the view of the party to which I belong there were certain social effects which were very bad. I might point out that there are two sides even to that question. Even he I hope does not contemplate that the burden of taxation will result in the complete ruin, even by slow death, of the enterprise system or of individual economic liberty and substituting therefor a system of state bureaucracy. If the minister will analyse the situation, he will realize that the difference between us is one of degree rather than of principle. Let me ask him this: Is it better for a country to suffer an increase in taxation from 20 per cent to 50 per cent for five years, or an increase from a basic rate of 20 per cent to 35 per cent and carry that rate on for ten years in place of the much higher rate for a

Income War Tax Act

period of five years? If I might cite an example, if a city installs a water system which costs \$10,000,000, the city fathers have the choice of taxing the people during the current year for the full \$10,000,000, or of spreading that cost over a period of ten years or whatever period may represent the useful life of the property.

Of course we know that the munitions and other things that go into the war are blown to atoms. Nevertheless we are fighting for a principle of liberty and for our own salvation, and surely that is not something which will evaporate as soon as the war is over. We hope to end wars for all time, and if I may say so, I believe that with the mounting costs each year resulting in a succeeding higher figure it will be impossible for us to pay the total burden or even as large a portion as we are attempting to do now out of our current income.

If we confine ourselves to only one objective of the budget, namely the raising of money, rather than the question of how much income we can prevent from coming into the market to buy goods which do not exist for civilian consumption, I might ask the minister how it is that he hits upon the figure of 52 per cent of our war expenditures and other expenditures to be met by taxation, and 48 per cent to be met by borrowing. Why did he not hit upon a figure of 50 per cent for each, or why did he not follow the policy adopted in the United States of 30 per cent by taxation and 70 per cent by borrowing? I have not the figures for Britain, but I doubt very much if they would be as high as ours. Canada, with its direct, indirect and corporate taxes, is probably the most heavily taxed country in this war. As regards the old country, with whose income tax brackets we sometimes compare ours, we find that occasionally the rates here are actually higher. On top of that, and bearing in mind particularly that we are an industrial country, we have a 40 per cent minimum corporation tax, which does not exist at all in the old country. There exists there only the excess profits tax, which we now have up to 100 per cent.

We might ask ourselves how the minister arrived at the sacrosanct 52 per cent? Why should all other figures be fallacious and harmful, as he termed the suggestions which I offered? Why, may I ask, does he not tax us 100 per cent of our total war effort and our ordinary expenditures? Why stop at 52 per cent? If his arguments are sound up to 52 per cent, then why are they not sound up to 100 per cent; or possibly, if I argue for 45 per cent or 40 per cent of taxation to meet our total costs, why are my figures necessarily [Mr. Jackman.]

unsound? All his arguments apply with equal force against any greater or lesser figure than the particular one which our budget strikes, namely 52 per cent. May I ask, then, did he get it out of thin air and then set it up like a golden calf, to be worshipped, with no deviation allowed whatever from it, so that all unbelievers must be regarded as heretics? More probably he followed the same principles that others have followed. The taxation which any minister of finance or any committee working on the budget would have suggested probably would have been the very limit which the financial machine would stand and still function in high gear, for there never was a time when a minister of finance needed money so desperately as it is needed at the present time. A deflation of the financial structure, which is the effect of this budget just as it was the effect of the preceding budget, will not help the attainment of that objective.

The difference between us is where the line between borrowing and taxation can be best drawn for the year 1942. Neither from the point of view of revenue nor from that of removing spendable money from the market is there any immediate difference between borrowing from our own people and taxation, for borrowing is only taxation deferred. In either case the people give up the money and their spending power is removed. The only difference is that the incidence of the tax, the question of on whom it shall fall, has not yet been decided. With this budget, as under the previous budget, though now greatly aggravated, it is a case of the pace and not the race that kills. If we are to have a preservation of the enterprise system and the economic liberty of the individual, then we cannot be asked to accept more than the system will stand, or to accept it faster than the system will stand it. Possibly it would even stand greater burdens if it were given adequate time. Even our hon. friends to the left, when under a previous leader, suggested that a considerable period would be required in which to switch over from the present economy to the economy which they espouse, unless everything were to fall by the wayside during the interval.

This budget was felt by many people to be particularly severe, in view of the fact that in the last loan the minister asked for \$650,000,000. Perhaps it will be admitted that this was a low objective, because naturally the minister wanted to make a real success of the loan. But when approximately \$1,000,000,-000 was voluntarily subscribed by the people of Canada, the business men and others who subscribed to that loan felt that the minister should be satisfied that they were willing to put their shoulder behind the wheel and raise all the money that could possibly be raised, and do so voluntarily. One of the most dangerous and objectionable features of the present budget is not in the increase in the excess profits tax from 80 per cent to 100 per cent by means of a 20 per cent refundable portion, because, after all, that is a delayed saving, which eventually will come back to the company; it is the change, which I mentioned this afternoon, in the method of figuring the excess profits tax. This is a mere change in the arithmetical or mechanical method, but it has a very great effect on the amount of income left to these various corporations. If I may illustrate it by an example, since this budget was introduced we have seen that the principal chartered banks in Canada have had to reduce their dividends from \$8 to \$6. That is a direct reflection of the incidence of this excess profits tax. It is not so much to give up \$2 a year on a security like that, but it is the fact that the reduction in dividend is reflected in the capital values of these securities to the extent of twenty times the dollar amount. For \$2. therefore, \$40 must be deducted from the capital amount, and that results in an atmosphere which is entirely deflationary. It prevents people from having as much with which to meet their obligations, particularly business men from having as much money with which to meet their financial obligations, as they otherwise would have had, and it produces an atmosphere which is not as satisfactory for the purpose of floating loans as otherwise would have been the case.

We are always impressed in this house with the sincerity and forthrightness of the minister. It is very convincing; it would be convincing even if he were wrong. But if I may say so, finance is a matter for unruffled tempers and cool calculation. I remember very well being called to the telephone one morning at two o'clock, to be told that Great Britain had gone off the gold standard. It was then felt by all of us who believed in orthodox finance that this was very nearly the end of the financial world. As a matter of fact, experience since that time has shown us that we have got along very much better off the gold standard than was the case in 1932, for example, when we were on the gold standard. A difference of opinion, particularly when it relates to degree rather than to principle, should not have the effect of calling forth from the Minister of Finance such terms as "fallacious," "dangerous," and "mistaken." If I may once more mention this subject, we have seen this bill pass through several stages in this house to-night. Very few of us have had a chance to read the

Supply-Mines and Resources

amendments, nor have we been able to grasp their contents or their significance. This is one of the most important bills with which this house has had to deal this session. Until we resort to the budget committee system, where we shall have ample time not only to read and consider the bills but to receive the benefit of the opinion of experts, it is impossible for this house to make the contribution which the people of Canada expect it to make. Not until the budget committee system is adopted and the representatives of the people are consulted, shall we have democracy substituted for bureaucracy and a people's budget adopted in this house.

Motion agreed to and bill read the third time and passed.

SUPPLY

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

DEPARTMENT OF MINES AND RESOURCES

Surveys and engineering branch.

152. To provide for general expenses of the committee as established under P.C. 682, dated February 17, 1941, to report on the conservation of the waters of the St. Mary and Milk rivers.

Mr. BLACKMORE: Last evening when we were considering this item I read the findings of the special committee appointed to investigate the whole matter of the use of the waters of the St. Mary and Milk rivers along the United States boundary in southern Alberta. The essential facts brought out in the findings were as follows, that under the order of October 4, 1921, Canada's share of the St. Mary river would be 362,000 acre feet, and of the Milk river, 40,000 acre feet. Since 1921, Canada has constructed irrigation works to use from the St. Mary river 163,000 of her 362,000, and from the Milk river 2,000 of her 40,000.

Mr. MacNICOL: That is 40,000 what?

Mr. BLACKMORE: Acre feet. According to the order of October 4, 1921, that is the amount.

Mr. MacNICOL: I have read that carefully.

Mr. BLACKMORE: In the division of waters of the Milk river and the St. Mary river between Canada and the United States, Canada was apportioned 362,000 are feet from the St. Mary river. Canada has constructed irrigation works with which she has been able to use 163,000 of those 362,000. She was apportioned from the Milk river 40,000, and she has constructed irrigation works with which she has been able to use 2,000.

Supply-Mines and Resources

It is obvious to every member in the committee that Canada has fallen far short of using the share of the waters of those two rivers which was apportioned to her by the order of October 4, 1921. The serious thing for us as members of this committee and as responsible members of the House of Commons of Canada in this year 1942 is this, that a very valuable asset belonging to the people of Canada as a whole—not only to the people of southern Alberta—is in danger of being lost because Canada has neglected to construct the irrigation projects which would enable her to use beneficially the water which was apportioned to her as her share on October 4, 1921.

On the other hand, what has the United States done? She has not been asleep at the switch as Canada has. She has constructed irrigation projects with which she can use all her share of the St. Mary river waters and the Milk river waters, as well as all of Canada's share of both of those waters. What does that mean? What does that imply? I ask any hon. member to tell me what he thinks that must mean in the minds of the people of the United States.

Before I have finished my observations the question is going to be raised that we in Canada cannot afford in war time to build these irrigation projects. May I now point out that in 1921 the recommendation was made to the government of Canada that those irrigation projects should be constructed. But after the last war Canada went on a saving spree, as a result of which the irrigation projects were not constructed, and they have not been constructed up to the present time with, of course, the consequent risk of the loss of these precious possessions.

I turn now to the recommendations of the committee as they are found at page 8 of the report. I propose to read only part of two of the recommendations. I read as follows:

The construction of the main reservoirs and connecting canals would provide the necessary facilities to store in Canada Canada's share of these international waters and would thereby be an insurance against the loss of a valuable resource. The construction of the main reservoirs and connecting canals is, however, not enough and unless provision is made, by extension of irrigation works to provide for beneficial and productive use, the expenditure involved by the dominion would not of course be justified.

Then, skipping a portion, I reach the following on the same page:

(a) That the dominion undertake and assume as a 100 per cent responsibility the construction of the main reservoirs and connecting canals to provide storage facilities for Canada's share of the waters of the St. Mary and Milk rivers as apportioned under the order of the international joint commission of October 4, 1921.

[Mr. Blackmore.]

And again:

(b) That the dominion's part in the construction of the project be carried out as a federal post-war development, and that the cost thereof be regarded as non-recoverable.

With the last part of that recommendation I have no quarrel, namely, that the cost be non-recoverable. But with the first part, namely, that the construction of these projects shall be deferred until after the war and shall constitute a part of the post-war reconstruction programme, I do emphatically disagree, for the reasons I have already indicated.

History will repeat itself. I voice the apprehension before hon. members that if the construction of this project is deferred until after the war it will again be neglected, as it was neglected after the last war. The first thing we know we shall have lost in Canada for our children, and our children's children, to the end of time, a most precious heritage—

Mr. GRAYDON: Is this an essential wartime project?

Mr. BLACKMORE: Before I answer that, may I just paint a picture for the hon. member.

Mr. ROSS (St. Paul's): Is the report before the government? Is the hon. member discussing the merits of the report, or whether the government has done nothing in connection with it?

Mr. BLACKMORE: Just now I am answering the question of the hon. member for Peel, as to whether this is an essential war-time project. May I just conjure up to him this picture: If the war on the Pacific develops, as it might do, and the Japanese should happen to gain footholds on the western coast —which God forbid—or if they should develop such striking power there as would necessitate the maintenance on Canada's part of a very large defensive force along that coast—

The CHAIRMAN: If the hon. member has the unanimous consent of the committee he may continue; otherwise he is out of order. The matter now before the committee has nothing to do with the merits or demerits of the report; it is simply an item covering the expenses of preparing the report. Therefore it is not in order, under our rules, to discuss at this stage the contents of the report. We are called upon to determine whether it is expedient to pay \$500 for the general expenses incurred by the committee. Is this expenditure appropriate or not? That is the only question before us. If the hon, member says he would conclude his remarks in a very few minutes I would ask the committee to give him leave. Otherwise I must apply the rules to prevent a general discussion from ensuing. Otherwise, where would I draw the line?

Mr. BLACKMORE: Five hundred dollars has been paid for this report, and I understand that the same amount was paid last year. Responsible members of this house want to know what was obtained for the money expended; they want to know whether it has been worth while. There is only one way in which we can determine whether that \$500 was wisely spent, and that is to see what was got out of it.

The CHAIRMAN: The hon. member may say whether he is in favour of this expenditure or against it, but he cannot discuss the merits or demerits of a report which is not before us at this time. We are in committee of supply to which this report has not been submitted.

Mr. CRERAR: I think the hon. member has performed a valuable service in drawing this matter to the attention of the committee. This vote is really for the purpose of printing the report. When the report was received earlier in the year a number of mimeographed copies were made. There were some graphs and maps attached to it, and the purpose of this vote is to print the report so that it will be available to those who are interested and wish to study it. Perhaps I am trespassing on the bounds of order, but I should like to say that the report is a very full and important one. When the session is over and we have time to study these matters, I have in mind taking the matter up with the Alberta government. On the basis of the report an agreement with the Alberta government will be necessary in connection with certain features of the development. The development will cost a considerable sum of money, and it was thought that this could be usefully carried on when the war is over. So far as our position with the United States under the international agreement is concerned, I do not think there is much danger of our losing it during the period of the war. In other words, Canada's position will be just as secure at the end of the war as it was at the beginning. With the statement I have made and with the assurance I have given, perhaps the hon. member will agree that your ruling, Mr. Chairman, should stand.

Mr. BLACKMORE: If I could have five or six minutes to lay out the essentials I 44561-322 would be quite satisfied. I did not intend to speak long, but the hon. member for Peel raised the question.

Mr. GRAYDON: I apologize.

Mr. BLACKMORE: The hon. member for Peel has no reason to apologize.

The CHAIRMAN: Do I understand that the hon. member has the leave of the committee to speak for five minutes more?

Some hon. MEMBERS: Agreed.

Mr. BLACKMORE: I shall proceed by continuing what I was going to set forth for the benefit of the hon. member for Peel. If we have to maintain a large force on the Pacific coast, I ask the hon. member for Peel whether it would be wiser and more economical for Canada to transport canned vegetables and canned fruits all the way from Ontario to the Pacific coast than to transport them from southern Alberta?

Mr. MacNICOL: We would like to buy from southern Alberta too.

Mr. BLACKMORE: A wide area consisting of 345,000 acres could be brought under irrigation for about \$15,000,000, and it would provide all the vegetables and fruits which would be needed by all the armed forces that would be necessary to defend Canada along the west coast and Alaska.

Mr. GRAYDON: We grow pretty good ones in our own part of the country.

Mr. ROSS (St. Paul's): How long would it take to get the land into production?

The CHAIRMAN: Order. The hon. member has five minutes and I should like him to use them. Otherwise this will develop into a general discussion.

Mr. BLACKMORE: After I have used up my five minutes I shall be willing to answer any questions. I am prepared to do so; I am not saying that I want to do so.

The CHAIRMAN: I think the hon. member misused a minute or two himself by putting questions to others.

Mr. BLACKMORE: This area has a climate which is probably as dependable as any climate on the north American continent. There is excellent soil and an abundance of water that would not fail. This area could be developed to produce 87 per cent of the sugar used by Canada before rationing was introduced. In addition to that, it could produce a great deal of meat and milk and all manner of animal products after probably a year or two of intensive development to prepare for production. I quote from page 151 of the report:

The value of animals fattened in feed lots during the season 1941-42 totals about \$3,900,000 including cattle and lambs.

And again:

Over 90 per cent of the grain fed cattle were placed in the feed lots on irrigated areas. During the same period 100,000 lambs from the ranges of southern Alberta and southwestern Saskatchewan were placed in the feed lots and fields of the irrigated districts.

That indicates the potentialities of this area. I should like to read from page five of the 1941 report of the Alberta sugar beet growers, as follows:

We now feed and finish annually upward of 100,000 lambs and 25,000 cattle in this small area.

That refers to the relatively small area now under irrigation, and accordingly we can form some estimate of what could be done if the whole area were under irrigation.

This food producing area is in a safe region just east of the Rocky mountains. It could be more easily defended against western attack than perhaps any other area, and it is more remote from eastern attack than any other area in Canada.

It is strategic because it is so near the possible battle area, both in Alaska and along the western coast. We are sure of it because there is an excellent climate, plenty of water and good soil.

In addition, we would be safeguarding our birthright with respect to that water. As matters stand now, we are in danger of trading our birthright for a mess of pottage.

I repeat once more: when this war is over, there will be a cry for economy and there will be a danger of our neglecting to construct this project. I suggest to the members of the committee and to the minister that that portion of the recommendations of this committee which asks that construction of the project be deferred until after the war be disregarded. There are too many of us who are looking for this war to end within the next year or two. It may last ten years. It is high time that members of the parliament of Canada and of the government of Canada began to use a little foresight instead of dragging along everlastingly with hindsight.

Item agreed to.

Surveys and engineering branch.

154. Geodetic service, \$133,780.

Mr. CASTLEDEN: What is being done this year with regard to this service?

Mr. CRERAR: It is simply a continuation of the work that has been going on for many [Mr. Blackmore.] years. I understand that my hon. friend has some knowledge of mathematics, and therefore probably he knows more about the inner meaning of this vote than I do. It is for the purpose of establishing by triangulation the precise points in various parts of the country from which all other surveys are made. It is particularly important, for instance, in the matter of boundary lines, in the matter of hydrographic survey work, and especially in the matter of getting precise maps. During the past year we have been asked to extend this work, by some of the defence services. When you are laying out flying routes and all that sort of thing, accuracy is necessary. The purpose of the geodetic survey is to determine by a rather intricate method of calculation the precise points from which all surveys start. This vote has been in the estimates for a great many years, and the work is being carried on because of its necessity.

Mr. CASTLEDEN: That was why I asked the question. I was wondering whether there was any extra work on account of the war. The work of surveys along the boundary is, I suppose, continuing. After they have made a survey of the international boundary, by the time they have completed that one, I suppose the work has to be done over again, has it not?

Mr. MacNICOL: All kinds of issues come up all the time across the boundary.

Mr. CRERAR: Yes, that is the case: for instance, particularly in the mountain sections, to get the precise points on which the boundary is determined. I might add that to-day practically the whole staff of the geodetic survey is engaged in work relating to the war.

Item agreed to.

Indian Affairs branch.

160. Branch administration, \$56,032.

Mr. COLDWELL: I want to say a few words, and I think this is the best place to say them. I am not going into the situation to-night-it is too late-regarding the condition of the Indians in the country. I think the condition of our Indian population is a sad reflection upon the white population of our country, from the point of view of disease and so on and so forth. But what I am going to mention to-night is this, that it seems to me that the life of an Indian is not regarded as being worth very much by some of our magistrates, and even perhaps by the department itself. I learn that at a place called Chippawa Hill, on Saugeen reserve, in this province, an Indian named Ernest John was killed on February 16, 1941, on highway No. 21, about two miles from his home. The police and the county coroner were informed at once, and an inquest was held in Southampton on February 19. The jury reported that Ernest John met his death as a result of being hit by an automobile, and up to the time when Mr. McGill, director of the Indian Affairs branch, was good enough to give me a report about the matter, namely March 13, 1942, the car and the driver had not been located.

There was a second case. An Indian named Louis Kahgee was killed on the same highway on October 25, 1941. This time the automobile and the driver were found, the name of the man being James Porter. He was tried, convicted and fined \$20 and costs, and his permit was cancelled. A fine of \$20 and costs, after the second death on that highway, seems to me to be out of proportion to what should be done in cases of this sort.

I assume that efforts were made though without success, to find the car and the driver that killed the first Indian. We, I am quite sure, would have prosecuted in every way that inquiry had it been in one of our provinces and had one of our own white citizens been killed, and I am quite sure that had a second white man been killed on that highway within a few months, the man responsible having been found, we would have made very careful investigation as to whether he was responsible in both cases. In any event, I do not think the fine would have been \$20 and costs.

I am not blaming the minister. I am not blaming the department. But I bring this to the attention of the committee because I think it shows in some degree that there are people who value these Indians rather lightly. I am not going into the health situation, because that comes under another item. I believe the hon. member for Vancouver East (Mr. MacInnis) is going to say something on that score, and I do not want to duplicate to-night, because it is getting late. But I bring the matter I have mentioned to the attention of the minister, the department and the committee, to make a protest against the manner in which these cases were apparently treated by some authority, I do not know who they were.

Mr. MacNICOL: Are there any Indians working in the Indian department here in Ottawa?

Mr. COLDWELL: May I have an answer from the minister?

44561-3223

Supply-Mines-Indian Affairs

Mr. CRERAR: Before I answer the question of the hon. member for Davenport, may I say a word with regard to the matter raised by the hon. member for Rosetown-Biggar. It is true that these regrettable incidents happened. Whether the victim be an Indian or a white person, it is the duty of the provincial authorities to do all they can to apprehend the person who is guilty and to punish him. Unfortunately, in the first case cited they were not able to find the culprit who had run this Indian down and killed him. I do not wish for a moment to reflect upon the care or the energy with which the provincial police discharged their duty. I assume that they exhausted all the means they had to try to find the guilty party. Precisely the same thing happened in the second case. The guilty party was apprehended; he was taken before a magistrate; he went through the ordinary processes of law where the crown Whether or not the magistrate, prosecuted. in the light of the circumstances revealed, showed undue leniency, I cannot say, but the point I wish to make is that the administration of the law in regard to both these cases rests precisely where it would have rested had the victims been whites instead of Indians.

I am inclined to agree that on the face of it the penalty imposed in the second case appears light. In saying that, I do not wish to reflect on the administration of justice. However, I think my hon. friend has probably rendered some service in drawing the matter to the attention of the committee, and I have not any doubt that his remarks, and perhaps my own also, will reach the proper authorities who have to do with the administration of the law in these matters.

As regards the question raised by the hon. member for Davenport, there is one Indian working in this department. I should say that that is in the head office here. We have, of course, a number of Indian schoolteachers teaching in day schools in various parts of the country.

Mr. MacNICOL: I investigated the Indian department in Washington and in a number of states of the American union. In each case I found quite a number of Indians in the Indian department.

Mr. CRERAR: As a matter of fact, I believe there are several in the service here in Ottawa.

Mr. MacNICOL: That is what I asked.

Mr. CRERAR: I mean, in various departments of the government service. I am speaking now of the Indian branch of Mines and Resources.

Supply-Mines-Indian Affairs

Mr. ROSS (St. Paul's): I resent the remark made by the hon. member for Rosetown-Biggar (Mr. Coldwell) that the Indians seem to be treated in some inferior way. It is a reflection on those who have to do with Indians. For many years I have known an Indian settlement in the Georgian bay, and as a matter of fact I have tried to get the Minister of Transport to put some buoys in the bay to make it easier for them. There is a summer resort, and there are many settlers and Indians there. The Indians are a fine people, and the citizens of this country have the greatest respect for them. It is a reflection on the Canadian people to say that the Indians in Canada are not treated like human beings.

Mr. CASTLEDEN: The condition in regard to the Indians on some of the reservations in Saskatchewan are far from satisfactory. Economic conditions on some of the reserves are deplorable, and there seems to be very few people to espouse their cause. The first thing wrong with the administration, it seems to me, is want of appreciation of the fact that the Indians are not all naturally adapted to farming, and it is useless to try to make them self-sustaining on farms when they are not capable of learning agriculture. Many of them have tried to follow the instructions given, but their farming operations are not successful. They have a certain natural ability along other lines, but their talents are not properly developed. It was the intention of the department in setting aside these reserves that opportunity should be given for the Indians to make their living, in part at least, by trapping and fishing, but the recent drought conditions have practically depleted those areas of fur-bearing animals, and fishing as an industry among the Indians is gradually petering out. The educational facilities on the reserves need a complete overhauling. The Indians complain that the children do not receive the kind of education in the residential schools which they would like, and they would much prefer to have the children left at home and provided with such educational facilities as the ordinary day schools afford, as was intended in the treaties.

There is a most deplorable condition resulting from the manner in which the reserves are managed. Indians living on the reserves, not full-blooded, may be evicted if the man in charge has reason to evict them. They have no means of earning a living, and therefore they become squatters along the edge of the reserves. Along the Gordon reserve in Yorkton these people are the responsibility of no one. The provincial government takes no responsibility for them and the federal government [Mr. Crerar.]

likewise repudiates responsibility, the result being that the condition of the Indians there is comparable with that of those found among the share-croppers of the southern states. Social and economic conditions are frightful. In past years a good many of these Indians have tried to eke out an existence on the reserve by working for farmers in the neighbouring district. But economic conditions among those farmers are such that they cannot pay decent wages, so that the Indians are finding it increasingly difficult to make a living. They are now trying to haul wood off the reserve into the town in order to make some money. I repeat, the whole condition of the Indians, so far as my constituency is concerned, is far from satisfactory, and a new approach is necessary.

I understand that the department is doing something on a large scale in the line of fur farming and the development of certain natural areas where the Indians can carry on muskrat farming on a scientific basis. These farms have been successful. The Indians show an aptitude for that kind of thing and have found it a great deal better to carry on work along that line.

There is, I believe, need for some change in the department to meet the changing conditions in that western land where these Indians are being kept on the reserves. Drastic action is needed. I have brought this matter to the attention of the authorities in the department on a number of occasions and have had some investigation and a little improvement, but what has been done has not solved the problem by any means. The matter must be gone into, and I should like to have a statement from the minister as to what he intends to do.

Some hon. MEMBERS: Carried.

Mr. CASTLEDEN: I would ask the minister for a statement on the condition of affairs in the reserves, particularly the Gordon reserve.

Mr. CRERAR: I do not know that I can give my hon. friend any precise information about any particular reserve he has in mind. The Indian problem is one that has to be viewed as a whole. It is a slow, patient, difficult business in which to make headway, and that difficulty, frankly, is due in the main to the characteristics of the Indians themselves. I do not think the charge can be levelled against the people of Canada that they are wholly indifferent to the welfare of the Indians.

Mr. CASTLEDEN: I did not say that.

Mr. CRERAR: The size of the vote we have here is an indication of the interest which

not only the government but the white population have in the Indians. I am bound to say that there have been very serious errors in policy in Indian administration going back over a great many years. I have no hesitation in saying that, and I think it stems originally from a wrong idea. Go back sixty or seventy years. At that time the Indians were steadily, and in many instances quite rapidly, declining in population, and although they were wards of the state and were treated as such, the view was held in many quarters, sixty or seventy years ago, or even later, that the Indian problem would solve itself ultimately by the extinction of the Indian. That is no longer true, because the Indian population is increasing and the rate of increase is bound to accelerate. Humanitarian impulses alone have demanded better care for the Indians, better medical attention and education, and therefore we have to-day in this country approximately 120,000 Indians, with the certainty that they will increase in population.

I have no hesitation in saying that that problem is one, the seriousness of which in its implications is not realized by the Canadian people as a whole. We are modestly endeavouring to produce conditions in as many areas as possible under which the Indians may be self-supporting. That is true particularly in the northern parts of the different provinces. We are aiming at and have carried on for the last three or four years definite programmes for the restoration of the fur-bearing animals by means of which these Indians in the past made their livelihood. Sufficient success has attended that experiment to prove beyond reasonable doubt that it can be done. We have had full cooperation from most of the provinces. I would mention particularly the province of Quebec where we have secured three areas from the provincial government, in extent from ten thousand to twelve thousand square miles each, where we hope to restore beaver, muskrat and other fur-bearing animals. To do this takes several years. Since, however, that is brought about and trapping is done under proper supervision, conditions are created whereby the Indians in these localities can secure a permanent income.

There is the question of education and medical care, concerning which I understand an hon. member from Vancouver wishes to say something. Perhaps I can deal with that item when he raises his question. But in the prairie provinces on most of the reserves we are endeavouring to get the Indians to adapt themselves to agricultural pursuits, the growing of grain, the raising of cattle. On many of the reserves very good success has attended those efforts. Of course in the last ten years these reserves have suffered as other parts of the country did. This season it seems probable that on some reserves we are going to harvest very good crops.

It is an important matter to have the right kind of Indian agents and supervision. All I can say is that the points my hon. friend has raised are fully appreciated by the officers of the department, and I think we are making progress toward a better state of affairs.

Mr. DOUGLAS (Weyburn): The minister mentioned agriculture. I have part of one Indian reserve in my constituency, and I have a summer cabin in another reserve north of Carlyle. Therefore I have had an opportunity of seeing how the Indians live and some of their problems. I shall not detain the committee now as to the conditions under which the Indians live, which in some cases are absolutely appalling. It has been my privilege on many occasions to meet committees of Indians on these two reserves. I have asked them what is the one thing that could be done to enable them to help themselves, and they said this-I pass it on to the minister-that under the original treaties the provisions for giving them agricultural tools, for instance, were based on conditions that obtained at the time the treaty was made, and those conditions no longer obtain. On one reserve they told me they were being given hoes each year. A man would get a hoe each year when probably he had the hoe from the year before. They were getting agricultural implements that were out of date, and they wondered if it would be possible to get some modern agricultural implements on a group basis, say for half a dozen or a dozen to have a binder or a plough or some horses, and cooperate in their use.

I have gone to a number of the little patches of farms they have; they are very inadequately equipped to carry on anything like decent agricultural operations.

Mr. CRERAR: As far as agricultural equipment is concerned, on the reserves that are suitable for agriculture the Indians are supplied with modern equipment. My officials here have not the precise amount, but it runs to perhaps \$20,000 to \$25,000 a year.

An hon. MEMBER: Does that include tractors?

Mr. CRERAR: It does in some cases, and modern equipment. They are not by any means tied down to the kind of agricultural equipment that existed at the time the treaties were made.

But there is no gainsaying this, that it is difficult to bring the Indians to a realization of the need for attending to the agricultural

Supply-Mines-Indian Affairs

job at the time it should be attended to. I might cite one instance illustrating that. An Indian was ploughing on his farm. It was summer-fallow, and it was important to get it ploughed at a particular time. Another Indian came along; they sat down and talked a couple of hours and then decided to go off on some kind of expedition. The Indian unhitched his horse just where the plough was, took off the harness and laid it on the plough, went away and did not come back for four or five days.

Mr. GRAYDON: Would this not be for the agriculture estimates?

Mr. CRERAR: Yes. However, I have answered the hon. member's question.

Mr. EDWARDS: I would be remiss in my duty as an honorary member of one of the Indian tribes of Canada if I did not say two things that have been driven home to me as being uppermost in the minds of the Indians at this time.

One relates to the war. I have been reminded that in the last war an order in council was passed exempting Indians, by reason of their status, from compulsory military service. Not enjoying any rights of citizenship as such, being wards of the government, they were exempted from compulsory military service. That does not apply at this time, and there is a feeling of resentment in that regard. I commend to the government the advisability, the rightness, of reconsidering the status of the Indian as a ward of the government, yet subject to compulsory military service. It does not affect many of them, but the Indian still has in his mind-at least the western Indianthe treaty rights which they understood exempted them from any obligation to take up arms against their fellow man anywhere.

Next I want to commend the department for what it has done in the selection of agents to deal at first hand with the Indians. I think any success we have had so far is directly attributable to the Indian agent who comes into direct contact with them. But I want to say this: the Indians in my constituency at least were originally hunters. Anyone knows that the wild game have left the slopes of the Rockies, and perforce the Indian has been compelled, even as you and I, to change his mode of life and of gaining his livelihood. The tribe with which I am affiliated is known as the Stoneys, and their reserve indeed lives up to the name; it is stony. While it was fine as a hunting reserve, it no longer sustains the fur-bearing animals

[Mr. Cre*ar.]

to provide these men with a livelihood. I urge upon the minister, as I have done heretofore, the duty and obligation of making available to these Indians potential grazing and agricultural lands.

Mr. GRAYDON: May I ask the hon. member if he is a chief in the tribe?

Mr. EDWARDS: Yes, I am a chief.

Mr. GRAYDON: What is the name?

Mr. EDWARDS: The name of the chief is Mountain Grizzly.

Mr. WARREN: I should like to endorse the remarks of the hon. member for Calgary West (Mr. Edwards). I happen to live in a riding in which there is an Indian reservation, and I am quite ready to admit that when these reservations were established the poorest available land was chosen on which to place the Indians. While the hon. member indicates that the land may have been good for hunting and fishing, certainly it was not good for the purpose of making a livelihood from the soil. Residents of the reserve in my riding have left the reservation and made good as ordinary Canadian citizens. They have worked as government employees in this city; they served in the army during the last war and are serving in this war. They are typical Canadians, and I do not know why these splendid people should not have all the rights of Canadian citizens, why they should not be qualified to vote at elections and why they should not have all the opportunities which are enjoyed by other Canadians.

Item agreed to.

Indian Affairs branch-Medical.

163. Indian hospitals and general care of Indians, \$1,462,873.

Mr. MacINNIS: I wish to say a few words with regard to the health situation among the Indians in the province from which I come. Before doing so, however, I should like to point out to the committee that we are all agreed that the condition among the Indians of this dominion is anything but what it ought to be. Furthermore, the Indians being wards of the state, the government of this country has a responsibility to them; and if the provincial governments, or police forces, or the administration of justice in the provinces, do not properly protect the Indians, then it is the duty of this government, as the guardian of the Indians, to see that the necessary protection is extended to them. .

I think it was during the session of 1939 that I drew to the attention of the committee of the house then dealing with this matter the ravages that tuberculosis had made among the Indians of British Columbia. A few days ago I was reading the report of the board of health of that province, and in my opinion the situation has not improved. I am going to try to impress upon this committee in a few words the seriousness of the situation. The Indian population of British Columbia amounts to 3 per cent of the total population, but in 1940, of all infant deaths under the age of one year, 30 per cent were of Indian children. This is something which should give those charged with the care of the Indians some reason to think. Sixty per cent of all Indian deaths were of persons under thirty years of age; one-quarter were of children under one year, and one-third of children under five years of age. The report states:

For certain diseases, especially tuberculosis, pneumonia and bronchitis, Indian mortality exerts a very unfavourable influence upon the vital statistics of the province. As the Indians are the wards of the federal government they do not constitute a direct public health responsibility of the provincial board of health. Indirectly, however, their existence as a potential menace to the health of the people cannot be ignored in the public health programme.

So bad is the situation among the Indians of British Columbia that the vital statistics are issued in two columns, one including Indians and the other excluding Indians. would suggest to the minister that in some way, in cooperation with the provincial department of health, which cooperation I think would gladly be given, he should work out some programme by which better care might be taken of the health of the Indians. In the next item, if I may be allowed to refer to it, I notice that grants to hospitals have been reduced from the very small amount of \$7,900 last year to \$5,400 this year. Under the circumstances I do not believe that is good enough. We cannot allow diseases such as tuberculosis to go unchecked among the Indian population and at the same time hope to stamp it out in the white population. That is all I wish to say, but having drawn this matter to the attention of the minister previously I wanted to draw it to the attention of this committee, in the hope that this time something may be done about it.

Mr. CRERAR: I do not like to delay the committee, but there are one or two matters in connection with which my hon. friend may not be aware of the facts. For the last four years we have been carrying on a steady programme of treatment of tuberculosis among the Indians, and that is particularly true of British Columbia. Only within the last eighteen months we have completed a fully equipped hospital at Sardis, not far from

Vancouver, and in that hospital to-day there are over 140 patients. Last year in British Columbia alone we spent over \$56,000 in the treatment of tuberculosis, and from April 30 of last year to January 31 of this year we spent \$218,000 throughout the dominion for the same purpose probably the full amount was spent by the end of March. We have under treatment some 671 patients. I may say to my hon. friend that this work was commenced only within the last four years; substantial progress is being made, and I can assure him that British Columbia is not being overlooked.

Item agreed to.

Indian Affairs branch.

169. Grant to provide additional services to Indians of British Columbia, \$100,000.

Mr. CASTLEDEN: Would the minister explain the reason for this extra \$100,000 for British Columbia?

Mr. CRERAR: This vote originated some fifteen or sixteen years ago and has been continued every year since that time. It is a vote to develop agriculture and to aid the Indians in fishing, and occupations of that kind.

Mr. CASTLEDEN: It is largely for medical services.

Mr. CRERAR: Part of it may be devoted to medical services.

Mr. CASTLEDEN: There is provision for a medical officer, a graduate nurse and special services to the amount of \$37,000. Why is it a special grant in this instance?

Mr. CRERAR: That originated in this way, that the Indians of British Columbia do not benefit from treaty moneys, while those in other provinces do. In lieu of that this special vote of \$100,000 was given for the Indians of that province.

Mr. COLDWELL: Is it correct to say that the Indians of the other provinces benefit from treaty money? Do the Indians of the White Bear reserve benefit in that way, and, if not, is something analogous to this done for those Indians? I do not believe the Indians in the White Bear reserve of Saskatchewan are treaty Indians. That is the reserve with which the hon. member for Weyburn is familiar.

Mr. CRERAR: Some Indians came to Canada from the United States. Probably that is the reserve my hon. friend has in mind. They do not participate in the treaty money. A majority of Indians in the provinces other than British Columbia do participate in the treaty money. Mr. COLDWELL: I was wondering if anything had been done for those Indians? I used to spend my summers on that reserve, and I know the conditions. As the hon. member for Weyburn has said, they are wretched.

Item agreed to.

Immigration branch.

171. Field and inspectional service, Canada, \$1,178,436.

Mr. MacNICOL: Why are such amounts as those contained in items 171, 172 and 222 carried in the estimates, when immigration into Canada is almost at a standstill?

Mr. CRERAR: While immigration to Canada from other countries has largely ceased, there are still some people coming, although not very many. That does not decrease the amount of work which has to be done by immigration officials. For instance, all the people going back and forth across the international boundary line have to be passed by immigration officers. If my hon. friend goes to New York he has to pass United States immigration officers when entering the United States, and when he comes back he has to fill out a form for our immigration officers. Consequently we must maintain these inspection staffs all along the international boundary line.

Item agreed to.

Immigration branch.

173. Relief of distressed Canadians outside Canada, \$7,500.

Mr. COLDWELL: The amount in this item seems to be small. Is it sufficient to take care of the needs? I think the hon. member for Rosedale and I might have some sympathy for those who might be classified as distressed Canadians abroad. We were pretty much in that class on one occasion, in Lisbon, when we had nothing but pounds sterling and could not get Portuguese money.

Mr. CRERAR: This vote might be described as the ordinary vote to care for distressed Canadians abroad. It has been very substantially increased in the last few years, since the outbreak of the war; but the additional amounts required are secured from the war appropriation vote, because the conditions are due to the war.

Item agreed to.

Special.

Lands, parks and forests branch.

176. National parks, \$65,800.

Mr. MacNICOL: Why is this vote not included in item 142?

Mr. CRERAR: They were special projects originating under special votes of a few years [Mr. Crerar.] ago. I am informed that this amount is required to complete those projects, and some other similar projects.

Item agreed to.

LEGISLATION

House of Commons.

116. General administration-estimates of the Clerk, \$494,895.

Mr. SPEAKER: Mr. Chairman, I should like to place on *Hansard* a statement with regard to the administration of the House of Commons. It is very long, and I should not like to trouble the committee with reading it to-night. I should like to have it placed on *Hansard* for the benefit of hon. members. The statement is as follows:

It would be proper, I think, that at this time I should make a statement with regard to the administration of the House of Commons

Since I took office in 1940 we have made substantial reductions in the staff of the House of Commons during the existence of the present parliament. We are endeavouring to carry on with fewer employees without laying off men who have been here many years and are not entitled to pensions.

Mr. Burgess, committee clerk, whose salary was \$2,640 enlisted in His Majesty's forces on November 6, 1940, and was not replaced.

Mrs. Rutherford, committee clerk, whose salary was \$2,520 died on July 2, 1941, and the vacancy was not filled.

Mrs. McCann, whose salary was \$2,372.50, resigned at the beginning of the present session and the position was abolished.

Mr. Lionel LeBel, who assisted Mr. Crossley Sherwood, clerk of orders and notices, at a salary of \$1,825 left the service and was not replaced.

We have reduced the staff of the reading room from four to two employees. Mr. S. S. Spencer, curator, whose annual salary was \$1,680 was superannuated on the 1st of November, 1940, and Mr. Boivin, one of the reading room clerks, was appointed in his place.

When Mr. L. P. Desrosiers, of the Journals' branch, left the service, Mr. Francis Schryburt, of the reading room, whose salary was \$1,920 was promoted in his place. Nobody replaced Mr. Schryburt in the reading room where there are now only two men instead of four as formerly.

When Mr. Fortin, assistant chief of the joint distribution branch, whose salary was \$2,100, died, Mr. Harry Terry, a clerk in that branch, with a salary of \$1,680 was promoted in his place. No new man has yet been appointed to take Mr. Terry's place. Mr. O. Letourneau, chief of repairs, has recently left the service, owing to old age, and nobody is to be appointed to take his place. The salary is \$1.560 per year.

place. The salary is \$1,560 per year. Colonel M. F. Gregg, V.C., Sergeant-at-Arms, with a remuneration of \$5,120 per year, was granted leave of absence when he joined His Majesty's forces on the 1st of January, 1940, and the Clerk of the House has taken over the management of his branch, consisting of constables, messengers, cleaners, page-boys and servants. No additional remuneration is paid the Clerk for that work.

Mr. T. M. Fraser, whose salary was \$5,120, as Assistant Clerk, was superannuated in January, 1942, and nobody has yet been appointed to take his place. Mr. C. W. Boyce, Chief of Journals branch, was assigned to attend the sittings of the house while continuing to do his own work, without additional remuneration, but all the office work performed by the Assistant Clerk has been divided between the Clerk and the Accountant.

Clerk of the House

The Clerk of the House is the chief officer who is responsible for the management of the house's affairs, as well as the controller of all its expenses. The estimates paid every year for the house's overhead, including members' indemnities cannot be paid by the accountant unless it has been approved by the Clerk of the House. This includes pavlists and accounts as well as expenses. Members' statements of their attendance and the forms they have to sign have to be submitted to and checked by the Clerk. The Clerk has to inspect them as he is responsible under the Audit Act for all money paid out on the house's account. The printing bureau cannot deliver any stationery supplies or print any document unless the order is given over the Clerk's signature. The Clerk, particularly since January, 1940, when he assumed the Sergeantat-Arms' duties, is head of a staff of 575 persons employed in the whole service of the house, from the last charwoman up to the Law Clerk, the Chief of Journals, or Editor of Debates. He has to see that the building is kept clean, the service well done and discipline kept in the staff.

Constables, messengers and page-boys have to wear uniforms. It is the Clerk's duty to supervise the purchase of material and repairs needed for these clothes. A close inspection is here necessary.

The Clerk in his capacity as deputy head, is bound to see that police protection is given the building and people who work in it. This work has been entrusted to the Clerk since

Supply-Legislation

1940, and in addition to these duties he must exercise the most important duty of all, that of acting as adviser to the Leader of the House and the Speaker on questions of procedure. It must be realized that the Audit Act, the Civil Service Act, the Superannuation Act, the Printing Act. the House of Commons Act, the Senate and House of Commons Act, and above all. the British North America Act, deal with matters connected with the House of Commons, and the only officer the house has to rely upon for their interpretation is the Clerk of the House. During sessions particularly he is consulted by members of the house on these laws as well as on procedure. There are many other functions connected with the Clerkship of the House of Commons but the above are sufficient to show that the postion of the Clerk of the House has developed into one of the busiest and most exacting posts in our public service. I must be allowed to say this that the accumulation of these duties upon the Clerk has been a considerable strain upon his health and may have impaired it. I sincerely trust not and that for years yet the house will benefit from his unrivalled knowledge and experience. And I must also say that these extra duties as Acting Sergeant-at-Arms which he has undertaken have meant a saving of over \$15,000 since he took that office because the Clerk receives no extra remuneration as Acting Sergeant-at-Arms.

Protective Service

We had 34 men for the first part of the session of 1940 and 25 for the recess. For the second part of the session in 1941 we had 33 men and 24 for the recess. We only have 28 men for the present session. This is not a large staff when we consider that constables are on duty 24 hours a day and have to guard three outside doors, the main entrance hall, the library, the Chamber and the upper corridors.

Stenographers Branch

A complete stenographic service to the members of the house during sessions of parliament is necessary. This service includes the taking of dictation, the transcription of notes, copying of documents, in both English and French, filing correspondence and all other related work. Another important duty of this branch is the copy of returns laid on the table during the session when requested by members. It also supplies a duplicating and stencil service for the house. Great numbers of envelopes for the use of members in distributing speeches and other literature

Supply-Legislation

are addressed in this branch. All menus for the parliamentary restaurant are stencilled and duplicated by this staff. The branch consists of one permanent chief, one per-manent principal clerk, one grade 3 clerk, six full time clerks and stenographers. There is an average of 145 calls each day. Members filing is brought up to date each week-end, and accumulated envelopes are addressed. Stenographers, of necessity, must be qualified owing to the difficult and exacting nature of the work and the speed with which it is necessary to turn out a large volume of work each day. Some stenographers write as many as 70 letters per day. The office is open from 9 a.m. to 10 p.m., and many stenographers have to come back every night to finish their work.

When the present parliament came into existence in 1940, there was at the House of Commons a staff of 24 filing clerks consisting of girls who were neither stenographers nor typists but were employed at keeping members' files in their rooms. They were paid \$4 a day. That service was immediately abolished and stenographers were instructed to look after the members' files. The result was a reduction of 24 persons in the staff and a saving of \$96 per day without any impairment in the members' secretarial work. In 1940, the staff consisted of 167 employees, in 1941, 140; and in 1942, 132. A decrease since 1940 of 35 employees.

Post Office

There were 13 clerks during the session of 1940, 7 in 1941, and there are 7 now. From inquiries made, this office is, I fear, understaffed, and we cannot reduce it any more. We have also to keep three men for the manual labour connected with this office. Our mail service is considerable, but it cannot be judged by the amount collected for the sale of stamps because letters and all mailable matter addressed to or sent by members of the house during the session are free of Canada postage. Huge quantities of Hansard are sent out almost every day. The office is kept open from 7 a.m. to 11 p.m. and on Sundays and holidays, from 9 a.m. to 6 p.m. It is the busiest branch in our service. All members' mail is heavy. Our post office handles about 150 sacks a day.

Stationery

We have to keep a large stock of stationery for the members' correspondence, committee work and debates reporting. There is a considerable demand for all kinds of supplies such as nibs, pencils, erasers, clips, elastic bands, mucilage, et cetera, which are required by [Mr. Speaker.] about four hundred persons every day during sessions. We have, however, managed to reduce our expenses on that account. The amount voted for stationery in 1941-42 was \$34,000, but in spite of the extraordinary length of the session and the demands of several war organizations on our stock, we spent only \$28,000 in 1942, thus allowing \$6,000 to lapse and to be refunded to the consolidated revenue.

Messenger Service

Members of the House of Commons are the agents of their constituencies and they are written to on all kinds of subjects. They have to deal with ministers and government officials for their electors and as departmental officials are scattered in different parts of the city, a large messenger staff is required. This staff is distributed in offices as follows: Prime Minister's office: 1; Leader of the Opposition. 2; Chief Government Whip: 1; Clerk of the House: 1; Sergeant-at-Arms: 1; Press Gallery: 4; Accountant's office: 1; Parliamentary Papers: 1; Votes and Proceedings: 1; Committees Branch: 1; Liberal Caucus Room: 1; Conservative Caucus Room: 1; Room Sixteen: 1; Clerk of Equipment: 1.

It must be noted that most of these men are clerk-messengers who answer telephone calls and assist private secretaries in filing correspondence and papers.

We have an assistant chief messenger, a time-keeper, two printing bureau truck drivers for day and night service and 22 messengers for the service of all members of the house. This is not excessive. I have had a statement prepared showing the number of messages carried daily since 19th January, 1942, to 27th July last. That statement shows that during that period there were 70,842 calls. During the long adjournment and recess last year we kept our messengers on duty because a number of offices in the building were used by commissions connected with war, such as the committee on War Expenditures, Labour Supply committee, the Air Minister of New Zealand, the Canada-United States Economic committee, the Australian Military mission and the Munitions and Supply committee. Moreover, there are always members of the house in the building during recess. We have had as many as forty at a time when the house is not in session, and we have given them a messenger service.

Some of our messengers are old and have been employed by the house for many years. Eight of them are over 65 years old. Three of them are permanent, the other five are temporary employees not entitled to pension. They have been here eleven, twelve, sixteen and

twenty-one years. They would suffer if summarily dismissed. We are well aware of the importance of avoiding wasteful expenses and to make reductions wherever necessary, but I must do so by degrees in order not to cause hardship to employees who have served faithfully.

Char Service

This staff consists of 86 women employed during the session and 50 during the recess with several spare employees during the holiday period of twelve weeks. The number employed may vary but all are needed to take care of the building. The women commence work at 6.30 a.m. and have to be out of all offices by 9 a.m. The work assigned to each varies according to the amount to be done in each room or suite of rooms.

There are 47 men employed during the session and 32 for the recess, with 5 spare for the holiday relief. This includes the chief, Mr. Cardinal, and his assistant, Mr. Alexander. The men commence to work during the session at 6.30 a.m. and continue until 1 p.m. or later when caucus and committee meetings have been held, in which case they are on duty until all committee rooms have been cleaned up and prepared for further use. During the recess, the men commence to work at 7 a.m. and continue until 4 p.m.

While the session is in progress, all cleaning is done as a daily routine by both the men and the women staff. When the house adjourns or prorogues, each room, including the Prime Minister's and officials' suites of rooms, committee and caucus rooms, working staff rooms, cloakrooms and lavatories, and all corridors, from the 6th floor down to the basement, are given a thorough cleaning as follows: (1) ceiling and walls vacuumed; (2) all pictures vacuumed and glass washed; (3) rugs taken out of rooms and vacuumed both sides; (4) all furniture given a thorough cleaning and polishing; (5) venetian blinds and curtains cleaned; (there are 216 venetian blinds and 260 pairs of curtains in the various rooms) (6) old floor wax removed with benzene and floors newly waxed: (7) all electric fixtures washed; (8) after rugs and furniture replaced, all rooms are given a thorough disinfecting; (9) all corridor walls (stone) vacuumed; all corridor walls (marble) washed; (10) all panel woodwork in the ministers', reading, government caucus rooms, and all the woodwork and furniture in the Commons chamber, including the galleries, is cleaned and given an oil preservation treatment; (11) all members' rooms have painted walls. Any rooms that are soiled are washed during the recess when the general cleaning is done. An

average of from 10 to 40 rooms are washed, depending on how long the recess period lasts. This is a big job.

On the list of details of duties for the women during the recess, the following rooms and suites of rooms are given a general cleaning, the same as when the house is in session: The Prime Minister's, the Leader of the Opposition, all ministers' rooms, government and opposition whips, leaders of the smaller groups, local members' rooms, all official suites, all staff chiefs rooms, all rooms of staff kept on during recess, library, reading room and committee rooms used for the various meetings held since the war began. (There have been many of these).

Outside of their regular duties, the recess man staff do all the moving of furniture and extra cleaning entailed through the meetings and use of House of Commons rooms for the various boards, et cetera, such as those listed herewith: the Dominion-Provincial conference; Wartime Requirements board; Voluntary Registration bureau; Canada-United States Joint Board of Defence; British, Australian and New Zealand mission; Civil Service commission—various branches—labour unions; and many others. These meetings make considerable extra work for the recess staff.

Changes in Offices and Rooms

An inspection of the building clearly showed me that the layout of some of the rooms had to be changed for the convenience and comfort of the members and staff of the House of Commons.

The man employed in repairing upholstered furniture did his work in a dark room in the basement, with no other light than one electric bulb. It was impossible to clean that place where dust had accumulated for years. The air in it was unbearable. The man died a couple of years ago and perhaps the conditions in which he worked considerably impaired his health. His successor was placed in a welllighted room near the freight entrance on the north side of the building.

The page-boys, fifteen in number, were also installed in a dark store-room where two stalls had been set up for their chief and assistant chief. They had no light nor ventilation. When these boys had to put on their uniforms they went in a small dark room about 8 feet by 3 which was very unsanitary. A partition was pulled down so as to make a large room with two windows, running water and a screened space for dressing purposes.

Whilst these dark holes were used for persons in the service of the House of Commons, a comparatively large room with windows had been allotted as a cloak room for the

Supply-Legislation

charwomen who are employed from 6.30 a.m. to 9 a.m. The room was enlarged by pulling a partition down which turned it into a comfortable place for the constables who form our protective staff.

Whilst the men employed in the Sergeantat-Arms service had to put up with unsanitary premises and, in some cases, chiefs were mixed with their men, several of our best offices in the front part of the ground floor were occupied by translators who did not belong to the House of Commons but were under the authority and pay of the Secretary of State. We could not keep them on our premises when we lacked office space for our own men. After long discussions and difficulties, we finally succeeded in arranging that they should take a building in lower town. This removal gave us sufficient space for the offices of the chief constable, the clerk of equipment, the chief messenger, the chief of the cleaning service and the typist attached to the miscellaneous services of the house. We were able to supply suitable premises for the British United Press which is now comfortably housed near the door opposite the post office. We also furnished good premises to the engineers assigned to the parliament building by the Department of Public Works.

The cafeteria could not accommodate the increased number of customers who were patronizing it. We had another partition pulled down, increasing space, and we took over the west end of the fifth floor corridor on the north side, thus making the cafeteria double in size and better ventilated. This is one of the best improvements made in the building during the last two years.

No special premises had ever been set aside for the committee reporters who had managed to secure desk room in small offices where they found it almost impossible to perform their official duties. They needed space not only for themselves but also for the typists who copied their reports and for the employees who prepared mimeographed copies sent to members of the house. Their work is very strenuous and important. We succeeded in allotting to them two offices with a large room between them, and for the first time they were enabled to perform their duties under workable conditions.

The Speakers' portraits were scattered in the large dining room of the 6th floor, in room 268 and in some officers' offices. The greatest number were in the north corridor of the main floor but they had been placed without any attention to the dates of the Speakers' terms of office. Moreover, the very expensive frames of these portraits badly needed to be cleaned and repaired. That work was done

[Mr. Speaker.]

and this gallery of portraits was placed in accordance to seniority from the legislative assembly of 1792 to the last parliament which sat until 1940.

Other improvements of minor importance were also made but mention of the above is sufficient to show that the House of Commons is now working in better condition than ever before.

In the report submitted to me it has been stated that my own office expenses are the lowest during the past 40 years. I have endeavoured to practice retrenchments without causing hardship or impairing the service of the house. The staff has been reduced by sixty-one persons both permanent and temporary. The premises occupied by the Sergeantat-Arms branch have been improved and order and discipline have been established in all the branches of the House of Commons service. Our expenses are matters of routine mapped out beforehand and paid almost automatically. When vacancies occur they are filled by promotions or changes within the staff. The accountant is always in close cooperation with the comptroller of the treasury and since 1940 I am informed that no payments or expenditures have been the subject of letters from the auditor general.

On the whole I would say that the affairs of the house are conducted with care and economy and further retrenchments can be made. In these further reductions I will have to ask the cooperation of the members of the house, a cooperation which I must here say I have received in a measure far exceeding my expectations.

I can only report on the affairs of the House of Commons. It would not, I think, be proper for me to make any suggestion to the Senate which is autonomous and has a staff of its own, independent of ours and under the authority of its own Speaker. It has been suggested that there be only one reading room, one post office, one barber shop, et cetera, for both houses of parliament and all I can say, and I think the house would wish me to say it, is that I will gladly welcome consultation and agreement on desirable economies, with the Senate.

SOLDIER SETTLEMENT OF CANADA

339. Administration of soldier settlement and British family settlement, \$571,858.

Mr. QUELCH: I should like to say a few words regarding soldier settlement in connection with the last war. I believe most hon. members feel the committee made a pretty good job of dealing with the bill that looks after the soldiers of this war. I am sorry I cannot feel that we have dealt as satisfactorily

Supply-Mines-Soldier Settlement

with the soldiers of the last war, under the recommendations of the committee on soldier reestablishment.

A member of the legion appeared before us and made certain recommendations regarding the rehabilitation of veterans of the last war. The Minister of Mines and Resources stated that in his opinion the recommendation was a moderate one. I believe the majority of the committee felt that the recommendations of the legion were moderate, and we spent a number of days in discussing ways and means of bringing about better conditions for those settlers. Unfortunately, when the recom-mendations regarding veterans of the last war were drawn up they did not go anything like as far as the recommendations made to the committee by the legion. The legion recommended that the interest charge on the indebtedness of the settler of the last war should be reduced to $3\frac{1}{2}$ per cent to bring him in line with the bill dealing with the settlers of this war. Instead of reducing the interest rate to $3\frac{1}{2}$ per cent on all debts of the settler of the last war, we are merely reducing the rate to $3\frac{1}{2}$ per cent on the debts of those settlers who have reenlisted in this war. One cannot help wondering why the rest of the settlers are not entitled to that same benefit. Certainly, if we are going to make a reduction of interest rates available to the settlers of this war, we should make that rate available to all the soldier settlers of the last war.

One recommendation of the special committee is in connection with what a soldier's equity in his land should be. In the new bill we recognize that every soldier settler, in order to have any real chance of success, must be given an equity in his land of around $33\frac{1}{3}$ per cent. As a matter of fact, when you take into consideration his equipment, he will have a total equity of approximately 50 per cent. I remember when Mr. Walter Woods, associate deputy minister of the Department of Pensions and National Health, gave evidence before the special committee. He stressed the fact that to-day loan companies believe that a. man should have an equity of around 50 per cent if he is to be able to pay off his loan. That principle was embodied in the new bill to a large extent.

The settlers under this new bill will be younger men. Their stock and equipment will be in first-class condition. Yet we say that these men must have an equity of around 50 per cent. What chance will a settler of the last war have of paying for his land when in many cases he has no equity in the land? The average age of these men is around fifty-three years, and, generally speaking, their equipment is in poor shape. According to

a statement submitted to the special committee by the director of the soldier settlement board, 50 per cent of the old settlers of the last war are making practically no progress at all. Twenty-seven hundred have no equity in their land, and 1,078 have an equity of less than 16 per cent.

If we take the stand, which we have taken, that in order to pay off his indebtedness it is necessary for a man to have an equity of around 50 per cent, surely we should take the necessary steps to give the settlers of the last war an equity in their land which will make it possible for them to meet their obligations. The recommendations regarding the settlers of the last war unfortunately do not meet that need. The recommendation may mean a great deal, but on the other hand it may mean nothing at all. It merely states that the debts of the soldier settler of the last war should be reduced to a point where he will have some equity in his land. Just what does that mean? If his debt is reduced to a point where he has an equity of \$1, he has an equity and apparently that is all the recommendation calls for.

I should like the minister to tell us what in his opinion should be the basis of the equity that will be granted the soldier settler of the last war. He has stated that the recommendations of the legion are moderate. They were to the effect that the benefits of the new bill should apply as far as possible to the veterans of the last war. As I say, this bill gives the settlers of this war an equity of around 331 per cent in his land, or around 50 per cent when one takes equipment into consideration. When the committee is appointed to deal with this question, what direction will be given to it? Will it be directed to reduce the debt to a point where there is an equity of 30 per cent or 40 per cent? I wish the minister would explain that point because we have nothing on the record dealing with that point. I ask this because the minister was not present in the special committee when this matter was taken up.

Mr. CRERAR: The hon. member for Acadia (Mr. Quelch) has referred to the report of the special committee. This report will be before the government and will receive careful consideration. It recommends a reduction in the interest rate to those old soldier settlers who have enlisted in the present war. My hon, friend thinks that that should be extended to all old soldier settlers so that they will be on an equality with the beneficiaries under the new legislation. I can assure my hon, friend that that will receive careful consideration. However.

Supply-Mines-Soldier Settlement

it must be borne in mind that the old soldier settlers have had a great deal of their indebtedness reduced or written off from time to time. In the majority of cases they have had the benefit of coming under the Farmers' Creditors Arrangement Act and have had their obligations adjusted under that scheme. I am quite willing to give my hon. friend the assurance that the government will consider the whole matter carefully. I shall see that it is brought to the attention of the government, and we will approach the matter as sympathetically as we can.

Mr. QUELCH: What will be the basis of the equity which will be applied to these soldier settlers?

Mr. CRERAR: I would not care to make a promise with regard to the equity in the land. If I recall aright, the committee recommended that the government consider the practicability of that. My hon. friend knows as well as I do that there are practical difficulties in the way. It might result in injustices. A soldier settler who has met his obligations, who has secured title to his property or is in the way of shortly securing title because he can clear off his indebtedness, might feel he was being discriminated against if his neighbour, a soldier settler also, who had not been as attentive to his duties as he should have been and thereby had failed to make the headway he otherwise would have made, is legislated into an equity. These questions have to be considered. It is an easy matter in a spirit of generosity to say that these things should be done, but the practical aspects of the questions must be considered in all their bearings. All I can say to my hon. friend is that that will be done.

Mr. WRIGHT: I do not think we should let this matter pass as easily as that. Many of these men have been working for twentytwo years on their farms. As the hon. member for Acadia (Mr. Quelch) has said, there are some 2,700 who have no equity in their land. Many of these men are up in years, being from fifty to seventy years of age. The special committee heard representations from the legion, from some individuals and from certain groups of these soldiers, and I think it was agreed by the majority that there should be some equity given to these men. They have spent many years of their lives on these farms. Of those who have not been able to make good, 85 per cent are located in the western provinces where drought conditions have been the cause of their failure. I should like to put on the record some of the things [Mr. Crerar.]

these soldiers have had to contend with. I have in my hand a letter from one man which states:

In 1929 I was hailed out complete, not enough left for seed next year. In 1931 I had a fair crop. I turned over a carload of wheat, 1,020 bushels to the soldier settlement board inspector, who advised holding until the price was better. I received a credit for \$69 for that carload of wheat. The price had struck the bottom. Then came years of drought, grasshoppers, cutworms, and low prices, when no person could make more than a living. In the fall of 1937 the S.S. board inspector advised me, as I had had so much bad luck to apply the Farmers' Creditors Arrangement Act, and that I should get at least my debt cut in half, as others had claimed. I fell for this, as others had. I got a \$220 reduction, and they got the security of a halfsection of land instead of a quarter-section as before.

In 1938, realizing I had been taken like a sucker, I made a determined effort to get clear. I put in every acre that I had broke in wheat, 270 acres, and the gods smiled and it rained and shined and I had a beautiful crop and just before cutting time it hailed. In nine minutes I was cleaned out, not even seed again. Now at 57 my health is gone, two major operations in two years. Can there be a "Jinks" on returned soldiers?

I have a further letter from the same man, written in April of this year, stating that the soldier settlement board's supervisor—

. . . called on me last week and told me my health was in no condition to carry on farming and that if I would rent the land to a neighbour for cropping and turn my share over to the S.S.B. they would see I got the burnt-out soldiers allowance. I am only 57 years old and have rented the land except buildings and pasture to a neighbour and assigned my share over to the S.S.B. If I am unable to get this allowance what can I do. It seems to me the government pays out more money to the pension board to stop us fellows from getting a deserved pension than would put us worn-out veterans on pension. I borrowed \$3,000 on my land when I returned from overseas and still owe \$2,600, but the land has increased from 160 acres to 320 also from bald prairie to a going concern, buildings \$1,500, 220 acres under cultivation, fenced and cross-fenced, and yet they say I have no equity in the land.

This man has a son in the army and states: If he is lucky enough to get back I would like to turn my interest in this land over to my son.

That simply illustrates the conditions these men have to work under. Yet when the legion recommended that they be given an equity in their land; when a committee of this house made the same recommendation, and when the minister himself stated that he thought that was a reasonable request, the director of the soldier settlement board, in making his recommendation to the special committee, insisted that he did not think these men should be given any equity in their land, and that only cases which had gone before the Farmers' Creditors Arrangement Act tribunal prior to September, 1939, should be taken into consideration. Finally, the special committee placed in the recommendations a further suggestion, and that suggestion was in behalf of such soldier settlers as may be recommended by the director, with the object, if possible and practicable, of establishing an equity for the settlers. That leaves it entirely up to the minister, and I think the minister should give us some assurance to-night that it is the intention of the government to see that these men who, after spending twenty-two years of their lives on these farms, have, through no fault of their own, but largely through weather conditions, to-day no equity in their lands, be given some consideration.

I have here a whole series of cases. I do not intend to quote any more of them, but one case I have is typical of many others in western Canada. It is one wherein payments are due this year, and the settler has an equity in his land of over 50 per cent. He owes a back payment of only \$150; yet this year the board, through their supervisor in the district, have asked him to sign a lease of the land. This man objects strenuously to that, and it is very unfair. There may be cases, where men have no equity, where they have been delinquent in their payments, that such a procedure may be necessary, but to take it as a matter of course against settlers who have tried for twenty years to meet their obligations is resented by these men.

The recommendation of the special committee with regard to interest was that the rate should be reduced to $3\frac{1}{2}$ per cent to all men who served in either this war or the last. I think that is a very fair recommendation. As a matter of fact, it is not costing the government any more to do that to-day than it cost them in 1920 to have an interest rate of 5 per cent. In that year, when the government borrowed the money with which to establish returned men under the old Soldier Settlement Act, it cost the government $5\frac{1}{2}$ per cent interest and they lent it to the settlers at 5 per cent. To-day the government are borrowing money at 3 per cent, and they propose to loan it to the settlers at $3\frac{1}{2}$ per cent. If they proceeded on the same basis as they did in 1920, settlers would be getting that money not at $3\frac{1}{2}$ per cent but at $2\frac{1}{2}$ per cent.

The minister should give us some assurance that these old soldiers will be dealt with on at least an equal basis with the men who return from this war.

Mr. CASTLEDEN: Has the department taken into consideration the fact that these men who are on these farms now gave of

Supply-Mines-Soldier Settlement

their best in 1914 and 1918, that the exposure, the wounds and the conditions of army life which they underwent in the last war have impaired their health, and whether what they have done for their country is deserving of any recognition at this time? The policy of this department and the director seems to be to send out their inspectors and take the last dollar from these men. That scheme has been a miserable failure.

Mr. CRERAR: My hon. friend makes that statement, but what proof has he that the inspectors go out and take the last dollar from a man? It is not the case. My hon. friend is making a statement which is wholly inaccurate.

Mr. GRAYDON: "Inaccurate" is unparliamentary.

Mr. CASTLEDEN: Well, I have seen men who were burnt out, forced to sign a quit-claim deed and turned off their farms. I recall one case of a man at Springside. He stayed on that piece of land for a number of years, his son helping him. The son enlisted in the navy. Later his ship was lost; the father no longer had any help on that farm. The inspector came round and said, "You had better sign a quit-claim deed." The man was put off and got no equity; he is now living on a form of charity. The small number of men who have been successful in getting title to their lands is ample proof of the failure of the administration of this scheme. To-day at an advanced age these men find themselves unable to carry on any longer; their equity is gone; and apparently no consideration is given to the fact that they have paid and paid, year in and year out. I understand the department valuated a number of farms in 1941.

Mr. CRERAR: In 1940 and 1941.

Mr. CASTLEDEN: What is done in case the new valuation is less than the debt that is against the land?

Mr. CRERAR: It goes before the board of review under the Farmers' Creditors Arrangement Act, and the debt is adjusted accordingly.

Mr. CASTLEDEN: Would it not be considered right that in case the board values the land at a certain amount and the debt is more than the valuation of the land, the debt ought to be reduced to the value of the land as fixed by the board?

Mr. CRERAR: That is precisely what the board of review does. If a man has a debt against the land of \$5,000 and the board says the value is \$3,000, it is put at \$3,000.

Mr. CASTLEDEN: The debt is put down?

Supply-Mines-Soldier Settlement

Mr. CRERAR: Certainly. My hon, friend ought to inform himself before he starts making speeches.

Mr. CASTLEDEN: I have informed myself, and I have written to the department about plenty of these cases. Moreover, I have talked with dozens of returned men, and what I have learned has led me to the conclusion that the attitude of the department is all wrong. These men are in dire circumstances. I take up the case of one man and I say, what about this man? He has done the best he can. I get a reply saying that this man's neighbour did perfectly well; that he paid off his indebtedness, and that if any further adjustment is made, why, the man who has nearly paid off his indebtedness will feel that he is being discriminated against. But when I investigate the other man's position I find that he had three or four sons to help him or had a large outside income, and that was the only reason why he could carry on.

Another abuse is this. The indebtedness of the soldier settler is so great that he feels he cannot possibly pay it off. The income from the farm has declined over recent years. and the representative of the soldier settlement board is told to come round and get the man to sign a quit-claim deed. The man says that if he does that, the land will be put up for sale. He is told, yes, that is what will happen. He asks if he will have an opportunity of buying it back, or if some member of his family will have an opportunity of buying it back at the price at which it will be sold to someone else, and he is informed that he will not be permitted to do this. That is an unfair practice.

There are not many of these old veterans left on the land, and I am going to make this plea to the minister. Surely, under the circumstances, these men are entitled, in the last years of their lives, to be freed from this continual hounding. They did their best for a number of years, but circumstances beyond their control made it impossible for them to pay off their indebtedness. In the twilight of their lives, after all that they have done, they should be given the title to their land. The people of Canada will not begrudge them that. The very recommendations brought down under the new scheme show that the old plan was entirely wrong. There was a fundamental weakness in the whole system. The original indebtedness was out of all proportion, and when the price of the commodities which the farmer could produce sank to a level at which he could not even meet interest payments, his burden became impossible.

[Mr. Castleden.]

There has been some adjustment, I agree, but it has not been adequate. It has still left the soldier settler with a burden which he cannot carry. The financial arrangements in this new scheme have been introduced because the old scheme was not equitable. It was unjust; and if there have been injustices in the past, why not wipe them out for the few men who are left? The older men have been up against a tough proposition. There is no appreciation of these facts as far as the administration is concerned. When the young men from these districts go to enlist to-day and they observe the way in which the soldier settlement board is treating the old veterans; when they read the record of what has happened to a number of them, many of them having proved their cases. where these men are up against an impossible job, I can tell the minister that it has a very serious effect, so serious that we find editorials written in newspapers supporting the government protesting against the treatment that has been meted out to these men. They gave the best they had for this land. They were willing to give so much, and they are treated shamefully.

Mr. WRIGHT: The other minister was not present when the special committee were considering these recommendations which they have embodied in the report tabled on Friday, July 17, but the Minister of Mines and Resources was there, and he stated that it was his opinion that the government would, by order in council, bring these recommendations into effect this year and that the Soldier Settlement Act would be revised next year so as to include them in its provisions. The minister should give us an assurance that this will take place.

Mr. CRERAR: My hon. friend is not stating the facts correctly. What was stated was this, that it would require legislation to reduce the rate of interest, which is now statutory at 5 per cent under the old soldier settlement scheme, to $3\frac{1}{2}$ per cent. I said to the committee, as I recall, that I did not think it would be very likely that such legislation could be brought in this year, but if the government considered it favourably it would be decided to make that recommendation and validate it next year by statute. That was what was stated. I did not give a promise that the rate of interest would be reduced to $3\frac{1}{2}$ per cent. That is a matter which concerns the Department of Finance more than the Department of Mines and Resources. It is a matter that the government has to take into consideration. Really,

5116

I must say this, and I say it with the best feeling: I do not think speeches such as have been made by my hon. friend and his colleague who sits immediately behind him give any help to the soldier settlement problem. It is wrong to give the impression that the soldiers are being pressed, are being harried, and all that sort of thing.

Mr. WRIGHT: I did not say that.

Mr. CRERAR: But the hon. gentleman's colleague behind him did. He said it was shameful treatment—

Mr. CASTLEDEN: It is, too.

Mr. CRERAR: -and used other expres-That, certainly, is sions of that kind. intemperate and unwise language. Why, there are 550 of these soldier settlers on the land who benefited to the extent of \$155,000 last year under the War Veterans' Allowance Act. That is the shameful treatment which the government is handing out to these men. It is a mistake to say that they are driven off their land. There are hundreds of these settlers who have no prospect of ever paying for their land, who are not being disturbed because they have a home there. My hon. friend suggested that they should be legislated into an equity. The hon. member for Yorkton stated that they should be given title to their land.

Mr. CASTLEDEN: No, I did not.

Mr. CRERAR: Yes, my hon. friend made that statement.

Mr. CASTLEDEN: There are cases where it should be done.

Mr. CRERAR: There are some of these farmers, if you gave them their land, gave them full possession, in three or four or five years time their position would be just as bad as it is to-day. That is not an exaggerated statement. The inspectors doing this work are sympathetic men. They are practically all returned men themselves. The director is a returned man, and he knows the problems. The administration is just as sympathetic as is the hon. member for Yorkton. I wish to protest against the intemperate language which the hon. member has used to-night in this discussion.

Mr. CASTLEDEN: Apparently I shall have to bring more cases to the house. I shall be pleased to do so by the dozen.

Item agreed to.

Mr. CRERAR: Is there any objection to calling one item in Labour?

DEPARTMENT OF LABOUR

Private Bills Committee

100. Departmental administration, \$166,231.

Item stands.

Mr. CRERAR: I am very grateful to the committee for going on an hour longer, and for the assistance they have given in making the progress we have made.

Progress reported.

On motion of Mr. Crerar the house adjourned at 12.05 a.m., Saturday.

Saturday, August 1, 1942.

The house met at eleven o'clock.

PRIVATE BILLS COMMITTEE

MOTION TO SIT WHILE HOUSE IS IN SESSION-QUESTION OF CONTENTIOUS DIVORCE BILL-MOTION WITHDRAWN

Mr. W. P. TELFORD (Grey North) moved:

That the standing committee on miscellaneous private bills be empowered to sit while the house is sitting.

Mr. D. G. ROSS (St. Paul's): On this question of the committee on private bills sitting while the house is sitting, may I point out that the bill in question here is a very contentious one. It has just been contested in the other place and, so far as I am concerned, I must say that the sitting of this committee would be nothing more or less than a farce. I believe all members feel the same way. As I say, it has been a matter of contention in the committee in the other place, and in my opinion it is simply wasting our time to take it into consideration now, in the dying days of the session. I protest against the House of Commons having to take the responsibility of passing on the bill that will be before us if this motion is agreed to.

Mr. C. E. JOHNSTON (Bow River): I wish to say a word in this connection as well. I had intended to speak at some length on this bill because I have studied it carefully. I agree with the hon. member who has just taken his seat (Mr. Ross) that there has never been a bigger farce before the house. After a careful reading of the evidence I cannot find any proof brought forward to warrant our proceeding with the bill. The people who are applying for this petition have definitely failed to prove their case. The hon. member for Macleod (Mr. Hansell) some time ago brought forward a similar case. He spoke on it at considerable length, and pointed out that it was a shame to go through with it. I must join with the hon. member who has spoken in

Privilege—Mr. McLean (Simcoe)

protesting against proceeding with this bill. It would be doing a service not only to the country but to this lady and her daughter if we refused at this time to allow the matter to be pushed through. I know it is quite late in the session and that is one reason why I refrain from going into the argument in detail, but it would be simply outrageous to have the bill go through.

Right Hon. W. L. MACKENZIE KING (Prime Minister): There seems to be a very strong feeling that this bill should not be proceeded with at this time. I should think the motion might well be withdrawn, if that were the general desire. No doubt the house would give its consent to that course.

Mr. TELFORD: I will ask that the motion be withdrawn.

Motion withdrawn.

TREATIES AND CONVENTIONS

EXTRADITION TREATY BETWEEN CANADA AND THE UNITED STATES

Hon. L. S. ST. LAURENT (Minister of Justice): I lay on the table the extradition treaty recently signed between His Majesty the King and the President of the United States. There will be no opportunity at this time to consider legislation which would be required to confirm the treaty, but I thought it might be advisable to have it on the table so that hon. members may have an opportunity to study its contents before parliament meets again.

BUSINESS OF THE HOUSE

MOTION FOR INTERMISSION FROM ONE TO TWO O'CLOCK P.M. THIS DAY

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): In order to help ensure the long adjournment of the house to-day, and as early in the day as possible, might I suggest to hon. members that the luncheon recess be from one to two instead of from one to three. It will be remembered that after discussions have concluded in this house there still remains assent to bills in the other house. We might seek to arrange for the assent as early in the evening as possible.

Mr. SPEAKER: It will require a motion.

Mr. MACKENZIE KING: I move:

That the intermission this day be from one to two o'clock p.m., instead of from one to three o'clock p.m.

Motion agreed to. [Mr. C. E. Johnston.]

CONSIDERATION OF ESTIMATES-DEPARTMENT OF LABOUR

Mr. ANGUS MacINNIS (Vancouver East): On a question of privilege, Mr. Speaker, I wish to protest against the order of business to-day, and the manner in which labour affairs have been prevented from coming on the floor of this house. With no more important matter facing the people of Canada than labour relations, we find it the last item on the agenda to-day. I protest in the strongest possible terms.

PROCEDURE IN CONSIDERATION OF HOUSE OF COMMONS ESTIMATES

Mr. G. A. McLEAN (Simcoe East): I rise on a matter of privilege. I have before me the record in *Hansard* of the proceedings of the house yesterday. I claim that some of those proceedings constituted a gross breach of the rights and privileges of members of the House of Commons.

You will recall, Mr. Speaker, that during the debate on the budget I took occasion to refer to expenditures dealing particularly with one branch. It perhaps might have been more properly dealt with under the estimates. You, sir, I think were aware that it was my intention to speak on these estimates, because a few days ago the hon. member for Northumberland, Ontario (Mr. Fraser), came to me and said you desired to know whether it was my intention to speak on those estimates. I informed him that it was.

I wish to point out that this was the only branch the cost of which was dealt with while the debate on the budget was in progress. It is I believe customary—if I am wrong I will be corrected—for the estimates of the legislation branch to be introduced by the Prime Minister. I think that has usually taken place.

We have been sitting in the house from eleven o'clock in the morning until twelve o'clock at night. I have sat in this house I think as faithfully as any hon. member. Last night, between eleven and twelve o'clock, while the hon. Minister of Mines and Resources (Mr. Crerar) was leading the house, putting his estimates through, you, Mr. Speaker, were permitted to introduce the legislation estimates, sandwiched in between the estimates of two branches of the Department of Mines and Resources. It happened that for about fifteen or twenty minutes I was absent from the chamber, in the lobby. I do not claim that those who are in charge of the house should notice when I am present and when I am not, but I think you were aware that the one department which had

5118

been discussed on the budget might be expected to be discussed on the estimates. You placed on *Hansard*, Mr. Speaker, without discussion, a long written statement purporting to deal with the point which I took up in the debate on the budget. The hon. minister who was in charge of the house, putting through his estimates, permitted you, in the course of two or three minutes, to sandwich in your estimates among the estimates of the Minister of Mines and Resources while I was absent.

Now, Mr. Speaker, the rules of the house will not permit me to charge that you or your officials or anyone else had a deliberate plan of frustrating the private members of this house—

Some hon. MEMBERS: Order.

Mr. McLEAN (Simcoe East): I say the rules of the house will not permit me to do that. But, Mr. Speaker, if a deliberate plan had been made to do such a thing it could not have been executed in a better manner than was done. I want to tell you and I want to tell the minister who is in charge of the house that if anyone, any official, or any cabinet minister, thinks that any private member is going to be frustrated in the work which he thinks is his duty to the taxpayers of this country they are making a serious mistake in their judgment of the temper of members of this house.

Mr. POULIOT: Is this a point of order or a question of privilege? I would have something to say if it is a point of order.

Mr. SPEAKER: It is a question of privilege.

Right Hon. W. L. MACKENZIE KING (Prime Minister): First may I say that I believe there are few, if any, hon. members of this house who are more faithful in their attendance than the hon. member who has just spoken (Mr. McLean). I can assure him that as far as members on this side of the house, and indeed hon. members of the house generally, are concerned I do not think any of them would wish to be a party to any plan which would deprive him of any right to discuss at the right time whatever matter he may wish to discuss.

What the hon. member has said about the Prime Minister taking charge of estimates relating to the House of Commons is true to the extent that such a procedure is usually followed if the Prime Minister happens to be leading the house at the time. But it is not an invariable rule that the Prime Minister takes charge of the estimates relating to the

I am quite sure that my colleague, the Minister of Mines and Resources (Mr. Crerar), who was leading the house at the time, had no plan in his mind of usurping any hon. member's right to speak, and I am sure that His Honour the Speaker would be the last person who would be a party to such a plan or to countenance it; and as to there being agreement between the two for such a purpose, I cannot imagine it. However, may I say to my hon. friend that if he has a matter he wishes to discuss which relates to economy it might appropriately be discussed on the estimates of the Minister of Finance, whose estimates will be the first in order to-day.

Mr. McLEAN (Simcoe East): In answer to the Prime Minister I might say that my grievance is not so much that there are things I wanted to discuss that were not discussed. It was not my intention to discuss these matters at any length. My complaint is not that at all. My complaint is the manner in which this was carried out; and hon. members who are here and other private members who intended to speak on these things feel exactly as I do. It is all right for the Prime Minister to excuse those who were in charge last night, but we saw what happened; and I want to tell the Prime Minister that in spite of what is said by anybody, what was done was clear as day. And that sort of thing is not going to be put over on private members of this house if I can stop it.

Hon. T. A. CRERAR (Minister of Mines and Resources): Since I have been brought into the discussion by the hon. member for Simcoe East (Mr. McLean) I might offer this word of explanation. I was not aware that the hon. member had any special interest in discussing Mr. Speaker's estimates, or any other estimates, any more than any other hon. member of the house. When the Minister of Finance completed his income tax bill last night there were several of my colleagues who wished to get into supply. The Minister of Labour had spoken to me, and the Secretary of State. But I had my own estimates partly completed and intended going ahead with them when the Minister of Finance had completed his income tax bill. It was suggested then that Mr. Speaker's estimates might be taken up at that time-

Mr. McLEAN (Simcoe East): Mr. Speaker's estimates might be taken up at what time?

Mr. CRERAR: It was suggested to me when the Minister of Finance completed his income tax bill that Mr. Speaker would like to dispose of his estimates. I immediately gave way to Mr. Speaker as a courtesy to him. There was not a thought in my mind, it never entered my mind for a moment, that any injustice was being done to the hon. member for Simcoe East. It was simply to give Mr. Speaker the opportunity to put his estimates through. And when his estimates were through I went on with mine. I wish to say to my hon. friend that my estimates were not stopped in the middle last night to go on with Mr. Speaker's.

Mr. McLEAN (Simcoe East): I am very sorry to have to take issue with the minister. The record is on *Hansard*. He had just completed those of his estimates which had to do with Indian Affairs—

Mr. CRERAR: No, no.

Mr. McLEAN (Simcoe East): We may as well have this straight. In *Hansard* for July 31, 1942, at the bottom of the left hand column of page 5108, item 176, an item concerning national parks, amounting to \$65,800, was discussed as follows:

Mr. MacNicol: Why is this vote not included in item 142?

Mr. Crerar: They were special projects originating under special votes of a few years ago. . . .

Item agreed to.

Then comes:

5120

LEGISLATION

House of Commons.

116. General administration—estimates of the Clerk, \$494,895.

Then follows a long statement which was placed on *Hansard* by Mr. Speaker without being read, ending on page 5112, near the bottom of the second column. The next item is:

SOLDIER SETTLEMENT OF CANADA

339. Administration of soldier settlement and British family settlement, \$571,858.

I did not want to speak at length, but the fact remains that these estimates were sandwiched in between other estimates of the Minister of Mines and Resources, who was then leading the house.

Mr. CRERAR: I was in error in the statement I made a moment ago, as to the precise time at which Mr. Speaker's estimates were introduced; but I wish to say to my hon. friend, and I ask him to accept my word, that there was no thought in my mind at all of sandwiching Mr. Speaker's estimates in between those of two branches of my own department. It never entered my mind at all that [Mr. G. A. McLean.]

the hon. member was particularly interested in those estimates. Since I was looking after the work of the house it would have been an easy matter for my hon. friend to suggest to me that he wanted to be present when Mr. Speaker's estimates were discussed, and if I had been so informed it could have been arranged. I extended to the hon. member for Lethbridge (Mr. Blackmore) the courtesy of advising him last night when my estimates would come up again, because I knew he was particularly interested in one item to which he wished to speak. I do hope the hon. member for Simcoe East will take my word on that point. It was not in my mind at all that my hon. friend wished particularly to discuss Mr. Speaker's estimates; and those estimates were introduced at that time simply as a courtesy to Mr. Speaker, which I think everyone will agree was the proper thing to do when he desired to bring his estimates in.

Mr. McLEAN (Simcoe East): With the greatest of pleasure I accept the statement of the minister. I should have been very sorry indeed to think that any member of the cabinet would have been a party to anything like this. I am very glad that the minister is absolved from any blame.

Mr. POULIOT: Mr. Speaker Lemieux used to present his own estimates.

Mr. SPEAKER: In view of the criticism that has been offered with regard to the administration of the House of Commons, I had prepared a statement which I wished to place on Hansard, in order that hon. members and the country as well might know just how the administration of this house is conducted. There was no arrangement made, so far as I knew, with regard to the introduction of the Speaker's estimates in the committee. I was anxious to have them put through, because there are very many other matters that have to be attended to after that is done. I sat in the house yesterday waiting for an opportunity for these estimates to be called. I did not consult with the Minister of Mines and Resources, who was leading the house, nor did I consult or discuss with anyone as to the time when these estimates should be brought in. I quite admit that I indicated my desire to have these estimates brought in, but the hon. member for Simcoe East was in the house all evening. It may have been that at the moment these estimates were called he was not present-

Mr. McLEAN (Simcoe East): Certainly that is a fact.

Mr. SPEAKER: The hon. member was not present; nevertheless the estimates were

brought in at a time when, as I understand it, he was within the precincts of the house. There was no effort made to have these estimates brought before the committee because of the fact that the hon. gentleman was not present. I was prepared then, and would have welcomed the opportunity, to discuss the administration of the house, rather than to have the hon. gentleman suggest that I endeavoured in any way to avoid such discussion. As a matter of fact I welcomed the criticism of the hon. gentleman. I did believe that hon. members were not fully aware and should be informed as to the administration of the house, because of general ideas with regard to its administration and the staff. I was hoping for an opportunity to bring these matters before the committee.

I say now definitely that no understanding was reached with anyone, neither with the minister who was leading the house at the time nor with any other hon. member, that these estimates should be discussed in the absence of the hon. member for Simcoe East.

FURTHER SUPERVISION OF EXPENDITURES—SUG-GESTED COMMITTEE TO REVISE RULES

Mr. R. W. GLADSTONE (Wellington South): Arising out of the discussion on the question of privilege raised by the hon. member for Simcoe East (Mr. McLean), I should like to direct a question to the Prime Minister, and as a basis for my question I should like to interject two or three sentences.

During the time I have been in this house I have on two or three occasions advocated the adoption of business principles and practices in the administration of the affairs of the government. Once I proposed a minister of economy; again I advocated a change in the rules of the house, and at other times I have urged that greater consideration should be given the estimates having to do with the expenditure of money. I should like to ask the Prime Minister now if the government will give consideration to the question of providing a more businesslike method of dealing with the estimates; and also with regard to a recent press forecast of the creation of some department to supervise expenditures, if they will keep in mind the desirability of securing a very competent, experienced man to direct that work, preferably one who does not reside in Ottawa and has no connection with the set-up of the civil service organization here.

Right Hon. W. L. MACKENZIE KING (Prime Minister): The hon. member for Wellington South has given a great deal of thought and attention to the question of

Committee to Revise Rules

economy in connection with public business, and has offered many suggestions in that regard, including, some he has repeated this morning. I may say that time and again the government has given close thought and attention to the matters to which he has referred; but, as he will realize, some of them involve far-reaching considerations, so that it is not always easy to effect changes just at the time they may seem to be most necessary. However, I can assure my hon. friend that the matter will be further considered.

Mr. M. J. COLDWELL (Rosetown-Biggar): I was just going to add a word to what has been said about the business of the house, since this is the last opportunity I may have to do so. I wonder if during the recess the government would consider the advisability of setting up a committee to inquire into the procedure of the house itself. It strikes me that the time has arrived when some attention should be given to the rules of the house; I think that has been demonstrated very clearly during the present session. I would urge that some consideration be given to the setting up of a committee as soon as the house assembles in January, so that we may go into the whole matter of procedure and endeavour to modernize the rules and thus facilitate the public business of the country.

Mr. FRASER (Peterborough West): In connection with the same matter, I feel that if we set up such a committee to change the rules we should clarify those rules as they apply to standing committees of the house.

Mr. MACKENZIE KING: Mr. Speaker, as hon. members will realize, at a time of war there are bound to be reasons why the procedure should not in all particulars be the same as in ordinary times. Without doubt the rules have had to be more or less altered. Amendments have had to be made to the rules, with the consent of the house, to enable certain procedure to be adopted. I question, nowever, whether a time of war is the best time to attempt anything in the nature of a general revision of the rules. I do not think that procedure which would be suited to a time of war would be equally suited to times of peace. But I agree with hon. members that procedure is as important at one session as at another. Because of the exceptional nature of procedure in a time of war it might be advisable to review that aspect of the situation. I shall endeavour to see that consideration is given to that possibility between now and the reassembling of parliament.

Supply—Finance

SUPPLY

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

DEPARTMENT OF FINANCE

47. Departmental administration, \$417,106.

Mr. McNEVIN: Mr. Chairman, unless the minister wishes to make a statement, I have a few remarks I wish to make in support of some representations I made during the passage of the estimates of the Minister of Agriculture with respect to the whole milk situation in Canada. My remarks will bear more particularly on that area commonly referred to as the Toronto milk shed, and distribution within the city of Toronto.

Hon. J. L. ILSLEY: (Minister of Finance): Mr. Chairman, I rise to a point of order. The hon. member spoke to me last night and said that he wished to discuss the fluid milk situation under this estimate. I took no exception to it at that time. However, on thinking it over I should like to have a ruling as to whether such a discussion is in order. If it is in order, all right; if it is not—

Mr. McNEVIN: It will take just about five minutes.

Mr. ILSLEY: Yes, five minutes from the hon. member. Then the hon. member for Kamloops wishes to discuss beef—or at least did, the last time the matter was before the house. I took the position at that time that the discussion of the wartime prices and trade board was completed for the present session, so far as I could see. It may be that this matter may be discussed. But if so I am afraid the discussion on the wartime prices and trade board will be endless.

Mr. McNEVIN: I will not bring that in. I have not touched upon the wartime prices and trade board.

Mr. ILSLEY: What is it brought in under, then?

Mr. McNEVIN: It does not relate to that.

Mr. ILSLEY: If the hon. member wishes to answer my point of order, and can point out any item under which he contends he should be permitted to make this statement, and if the chairman rules that that is permissible, well and good. But if so, we shall be going on indefinitely.

Mr. McNEVIN: Replying to the point of order, there is no question that the item for the general administration of the Department of Finance has to do with matters of this kind.

[Mr. Mackenzie King.]

Mr. ILSLEY: The wartime prices and trade board.

Mr. McNEVIN: It relates to very many other things, so far as that is concerned. This item has reference to the general conduct of the minister's department. That covers a great many things, and this subject, I consider, comes under general administration. It comes under the general work of the minister, among the many other things.

I have only a very brief table to place on record, and I suggest I am entitled to that privilege. When I review what took place here yesterday I think it would be unfair to prevent my proceeding. I could cite many things of a similar nature which happened yesterday, and which took a very great deal longer. In fact one hon, member spent forty minutes on a speech touching a subject matter he had discussed last June.

The CHAIRMAN: The hon. member to whom reference is now made obtained unanimous consent.

Mr. McNEVIN: Quite true.

The CHAIRMAN: I would ask the hon. member to state on what point he desires to speak, and then to discuss the point of order raised. In that way he may show the Chair how that discussion would come under item 47.

Mr. McNEVIN: It is a matter which comes well within the purview of the general administration of the Department of Finance.

The CHAIRMAN: What is the subject matter the hon. member wishes to discuss?

Mr. McNEVIN: The subject is that of the whole milk producers of Canada. I am referring to whole milk production and consumption in Canada.

The CHAIRMAN: Surely that should come under the item referring to dairy products, discussed under the Department of Agriculture. I do not believe that the problems of whole milk dealers in Canada are a proper subject of discussion on this item.

Mr. McNEVIN: I should like to add this in connection with the very same matter, that I discussed the butter situation on an item in the Department of Agriculture, and discussed it again when the Minister of Finance was before the house. I understood the minister had given me an undertaking yesterday that I would be permitted to make a short statement. If he wishes to withdraw that privilege I will accept his decision, but I do not think it will facilitate the passage of the estimates.

Mr. ILSLEY: I certainly did not understand that I gave any such undertaking. The facts are exactly as stated by me. The hon. member spoke to me in the lobby, asked when my estimates would be before the committee, and stated he wished to make a short statement with respect to fluid milk. I took no exception; in fact I may have said, "all right".

Mr. McNEVIN: The minister said "all right".

Mr. ILSLEY: I may have said "all right," but I did not consider it an undertaking.

Mr. McNEVIN: I took it as an undertaking.

Mr. ILSLEY: I do not think the hon. member is prejudiced in the slightest degree. And let us be clear on the question with regard to butter. I had a \$50,000,000 item under the war appropriation measure, when the operations of the wartime prices and trade board were discussed. There was a fairly lengthy discussion at that time. Later I took a point of order, when the hon. member for Kootenay East attempted to raise the question of beef prices, or something of the kind-I have forgotten what it was. The point of order was sustained, and at that time the hon. member asked when he could discuss the matter. I remember his saying that there is nothing improper or unjust about there being a termination at some stage in the session of the right to discuss certain subjects at any greater length. I thought that the time had gone by. There have been abundant and repeated opportunities for discussion. If the hon. member thinks I gave an undertaking, I am sorry.

Mr. McNEVIN: I do. It would not have taken five minutes to make my statement and it would then have been on *Hansard*. It is a most important matter.

Mr. ILSLEY: The hon. member was not seeking an undertaking; he will understand that. He was asking when the estimates would be up and that is all.

Mr. McNEVIN: I asked with the intention of seeking an opportunity to speak.

Mr. ROSS (St. Paul's): I suggest that the manner of carrying out the business of this session has taken too much time, and a great deal of time has been wasted. In connection with estimates and finances generally, I suggest that next year the war appropriations be brought down in the same form as these estimates and taken in conjunction with the estimates. We could then consider them item by item and if the government desired some money in the meantime they could always get a portion of what was to be voted. By so doing we would have a far better chance of Supply-Finance

discussing the items instead of having these money matters brought before us at the end of the session.

The CHAIRMAN: My difficulty as Chairman has been stated repeatedly to the committee. On three or four occasions I have pointed out that if any irregularity is allowed, it is likely to be followed by eight, ten or more irregularities. It would be quite easy for the committee to grant leave by unanimous consent to an hon. member to bring up a particular point, but then how could we prevent any other hon. member from discussing the same subject? A general debate is likely to ensue and it would become impossible for the Chairman to apply the rules impartially as it is his desire to do. There is only one way to mete out a fair treatment to every hon. member, and that is by adhering strictly to the rules. A certain elasticity is necessary when the occasion arises, but that must be by unanimous consent otherwise speeches in committee must be strictly relevant to the item under consideration.

Mr. McNEVIN: I should like to have an opportunity to make a statement, and I shall not take more than five minutes. I think I am entitled to that. I hold in my hand a table—

Mr. ILSLEY: If the hon. member is going to talk about the matter he referred to, I rise to a point of order. I do not like to be told that I gave an undertaking when there was only a casual meeting in the lobby. I shall have to be very careful about what I say to private members if such things are going to be construed into an undertaking to change the rules of the house.

Mr. McNEVIN: I said that I took it as an undertaking; I do not know what the minister understood it to be.

The CHAIRMAN: The Chairman is bound by the rules, not by any undertaking. I must accept the statement made by the minister, and I think the hon. gentleman accepts it also, as given.

Mr. McNEVIN: I have a table which shows the prices paid the producers of milk over a period of years.

The CHAIRMAN: Order.

Mr. McNEVIN: From 1913 to 1919 inclusive. This table also shows the prices paid by the consumers of milk in the city of Toronto during the period referred to.

The CHAIRMAN: Order, please. It is not permissible to speak on that subject under item 47. If the hon. gentleman desires to file a tabulation, it must be by unanimous consent, otherwise he cannot discuss that subject at this time.

Mr. McNEVIN: If you will permit me to make a short statement I shall not take over a minute or two. Then I will file the tables and that will make my point clear.

The CHAIRMAN: Has the hon. gentleman unanimous consent to speak for two minutes on the subject?

Mr. MacNICOL: Not to file a whole sheaf of tables.

Mr. McNEVIN: The explanation I want to make is this: from 1917 to 1942 a period of twenty-five years has elapsed. A comparison of prices as between the years 1917 and 1942 reveals that the producers of whole milk in the Toronto area are receiving 43 cents per hundred less than they received twenty-five years ago for the milk they ship, transportation paid, to Toronto, whereas the consumers are paying 30 cents per hundred more to-day than they paid twenty-five years ago. That is a dangerous trend. It is a situation that warrants the most careful and searching consideration on the part of this house. Putting it into quarts, the producers of milk are receiving more than a cent a quart less than they received twenty-five years ago, whereas the consumers are paying three-quarters of a cent more than they paid twenty-five years ago. That is why I have persisted in seeking to place this matter before the committee. I now place these tables on the record.

Mr. ILSLEY: I shall have to have my officials look at them.

Mr. McNEVIN: The figures were given to me by the economics branch of the Department of Agriculture.

The CHAIRMAN: By unanimous consent these tables will be placed on *Hansard*.

Mr. MacNICOL: If they are found correct.

The CHAIRMAN: The department will consider them. May I assume that the hon. gentleman has unanimous consent?

Some hon. MEMBERS: Agreed.

Mr. McNEVIN: The tables are as follows:

Toront	to N	Tilk]	Prices

Prices Paid to Producers for Toronto per 100 Pounds \$

Spring 1 59-2 Summer 1 59-2	$\begin{array}{cccccccccccccccccccccccccccccccccccc$		$\begin{array}{cccccccccccccccccccccccccccccccccccc$	1917 2 50 50-2 88 88-3 12 2 3 12 Approx. ave for year (2		$\begin{array}{ccccccc} 1919 \\ & 3 & 50 \\ 3 & 00-3 & 50 \\ 3 & 50-3 & 90 \\ & & 3 & 90 \end{array}$
	Toronto	Retail Price	s (Quarts)	¢		
	$\begin{array}{cccc} 10 & 10 \\ -10 & 10 \\ 9 & 10 \\ 10 & 10 \end{array}$	$ \begin{array}{c} 10 \\ 10 \\ 10 \\ 10 \\ 10 \end{array} $	$ \begin{array}{c} 10 \\ 9-10 \\ 9-10 \\ 12 \\ 12 \end{array} $	$12 \\ 12 \\ 11 \cdot 1 \\ 2 \cdot 5 - 13 \cdot 3$	$13 \cdot 3$ $13 \cdot 3$ $13 \cdot 3 - 14$ 14 - 16	15-16 14 13 \cdot 3-14 16
				Approx. ave for year (1		
Pr	ices Paid to Pro	ducers for To	oronto per 10	00 Pounds \$		
	1937	1938	1939	1940	1941	1942
Winter Spring Summer Fall	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{cccc} 2 & 10 \\ 2 & 10 \\ 2 & 10 \\ 2 & 10 \\ 2 & 10 \end{array}$	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		2 40
	Toronto	Retail Price	s (Quarts) o	¢		
Winter Spring Summer Fall	$\begin{array}{ccc} \dots & 12 \cdot 5 \\ \dots & 12 - 13 \end{array}$	$ \begin{array}{r} 13 \\ 13 \\ 12 \\ 12 \end{array} $	$12 \\ 12 \\ 12 \\ 12 \\ 12 \\ 12$	12 12 12 12	12-13 13 13 13 13	13

[The Chairman.]

Supply-Finance

Mr. GILLIS: Mr. Chairman-

The CHAIRMAN: I want it to be quite clear that I could not allow a general discussion on the subject.

Mr. GILLIS: I have a few remarks to make about the treasury board. I should like to inquire from the minister if I should make them under this item, or wait until item 68 is before the committee. Item 68 seems to be specific.

Mr. ILSLEY: I would say, make them now. I do not think item 68 is the one.

The CHAIRMAN: As I tried to explain yesterday, we must stick to the item under consideration. The details of item 47 are set out on page 77. We are in committee of supply, and the only question referred to us is the expediency of granting to his majesty certain sums of money under item 47, the details of which are given on page 77. If we depart from that rule we shall be completely at sea in determining what we should and what we should not do.

Mr. GILLIS: The Minister of Finance is chairman of the treasury board. I corresponded with him in connection with the matter which I desire to bring to his attention. This has to do with the manner in which dependents' allowances are applied to the present armed forces. The case that I have in mind concerns a soldier who is at present serving in England—

The CHAIRMAN: Dependents' allowances cannot be brought up under item 47 by any stretch of the imagination.

Mr. GILLIS: The dependents' allowance is merely part of the discussion. The matter finally went to the treasury board. As I say, I corresponded with the Minister of Finance about the matter. The treasury board has overruled the dependents' allowance board on this question of dependents' allowance. This particular soldier is serving in the old country. He had four of a family, the youngest child being tubercular. The oldest child has been acting as his housekeeper since 1931 and has maintained the home. For the past fifteen months this family has been eking out an existence without a dependents' allowance. After a correspondence lasting about a year the dependents' allowance board decided the case was legitimate. They made an award, but the treasury board disallowed it. The only income of this family at the present time is the assigned pay of the father. I received a letter from the minister setting out the position of the treasury board, and I wrote him again on July 2 but have not received an answer.

Mr. ILSLEY: The hon. gentleman was going to take it up with the dependents' allowance board.

Mr. GILLIS: I did, and I received no reply from the dependents' allowance board, which leads me to believe that the board are a little afraid of maintaining their former position in view of the attitude taken by the treasury board. The minister in his letter to me of July 29 sets out that the boy who was in hospital was receiving an award of \$5 a month to provide comforts, and that his maintenance in hospital was taken care of because his father was a subscriber. But that is a charitable arrangement which the hospital authorities have made with respect to men who enlist in the armed services. There is no contribu-tion from that family to the hospital now, but the hospital has extended ever since the outbreak of the war to those serving in the armed forces the same advantages as are given to men who are now subscribing. So that the boy was really being maintained in hospital mostly by the miners of that section, who to a large extent keep up that hospital. The boy is home at the present time, and he should be receiving the \$12 a month allowance allocated by the dependents' allowance board.

The minister in his letter makes the further observation, with which I agree, that there were two other girls in the family, one eighteen and one nineteen. There was no application for allowance for the two older girls. One was employed as a domestic servant, receiving \$3 a week, and the other as a domestic servant, receiving \$2 a week. The minister makes the observation that they might be making some contribution, but in the light of what they were receiving that was impossible. One of these girls has since left domestic service to take employment in a munitions plant in Ontario, and the other is still eking out an existence on that wage.

What I tried to make clear in my letter to the minister was that the older daughter has been maintaining the home since 1931. The father is in England fighting for democracy. While he is fighting over there for democracy, the roof he left over his head to take care of his tubercular child and the older daughter is being taken from him. All that we expect, and all that that girl expects, and all that the soldier expects, is that the older daughter will receive the \$35 a month allowance and some consideration with respect to the allowance of \$12 a month for the tubercular boy, who is not in a position to take employment and will not be for a great many years. His case is probably hopeless. You can visualize the state of mind of that soldier in England, with his daughter writing to him

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and telling him the facts. You can understand what that girl who is keeping up that home has been up against for the past fifteen months, eking out an existence on \$20 a month and with the care of that tubercular boy on her hands. She has him home with her now.

The treasury board, I think, were very shortsighted in not giving this case the examination it merited. The dependents' allowance board have dealt with the case. They have the regulations as they pertain to allowances for dependents of members of the armed forces; they have their investigators in the field, and they had an investigation of the case made by the proper officials. After all that was done, they made an award. After all that was done by people who considered the case from all angles, the treasury board vetoed the decision of the dependents' allowance board. That is why I bring it again to the minister's attention, so that he may have the case reexamined, and if the treasury board should still be of the same opinion as when they gave their first decision, they certainly should change it, because it was a sad reflection on the people who made that decision.

Mr. ILSLEY: I remember the case well. There are two parts to it. One is the application for an allowance because of the tubercular brother of the oldest daughter who was in charge of the household. As I understand it, the dependents' allowance board did not propose to make any allowance to her on account of the brother, because he was in hospital and his expenses were being provided for in another way. He was also receiving a small allowance, \$5 I think, for comforts and so on. So that the dependents' allowance board, if I understood the case correctly, did not consider that the brother came into it at that time at all.

The whole question was whether the principle should be laid down that where there are three grown-up girls, twenty-four, twenty and eighteen respectively, living in a house together, the government should pay to the oldest girl to provide for the home an allowance not provided for by the regulations except under the discretionary authority vested in the dependents' allowance board. So far as the evidence before the treasury board is concerned, there were three adult healthy young women to provide for that home, and the treasury board felt that unless there was some explanation for the necessity of making an allowance a precedent would be created which could not possibly be defended. The treasury board pointed that out; I pointed it out in my letter to the hon. gentleman, and asked him if there were any special circumstances which made it necessary [Mr. Gillis.]

to establish a precedent of that kind. I also pointed out that if the brother came back to the home, the dependents' allowance board probably would make an allowance for looking after the brother, because that was a different thing; and if the brother did come back to the home I suggested that the hon. gentleman go to the dependents' allowance board.

With regard to the treasury board and how it should act, there are sections which provide that allowances are awarded as of right to dependents of members of the forces. There is another discretionary section, 119, which provides that outside of that range altogether the dependents' allowance board may make special awards which will be subject to review by the treasury board.

Now the treasury board can do one or two things. The treasury board can become a mere rubber stamp, shut its eyes to anything and everything that the dependents' allowance board does, and abdicate its functions as a reviewing tribunal. That is what the hon. gentleman has suggested that it do. Or, on the other hand, the treasury board can discharge its functions and do its duty just as it tried to do in this case.

Mr. GILLIS: I wrote to the minister on July 2 and answered fully with respect to the additional information required, and I also wrote to the dependents' allowance board on July 2. I have not received an answer from either board, and that is what caused me to bring the matter before the committee to-day. I came to the conclusion, because I had not received a reply from either board, that the dependents' allowanace board were afraid to make another decision and that the treasury board was still waiting for the dependents' allowance board to do something. There are extenuating circumstances in this case which you will not run into every day. The oldest daughter has maintained the home since 1931. I think the minister will agree that the one adult daughter cannot keep up the home on \$20, and as to the other two girls they left that district because there is no employment for girls in that area. Approximately five hundred girls have left that area in the last couple of months to work in Ontario. I know 156 girls from that very town who left there to work close to Oshawa. That is why these girls were not able to make a contribution to the upkeep of the home, the home which was maintained by the older girl for eleven years. She has now a tubercular brother on her hands, and her father is in England fighting for his country. What incentive is there for a man to enlist if when

5126

he comes back home he finds that the roof over his head disappeared while he was fighting for democracy and our democratic institutions?

Mr. JACKMAN: Mr. Chairman, I wish to bring up a matter on this item, but my remarks will apply to all departments. It is an item of \$12,000, which includes \$10,000 as the minister's salary and \$2,000 as car allowance. I bring it up in connection with this department because the Minister of Finance is charged with keeping the expenses of the country down as much as possible. Certainly he is charged with that as much as any other minister of the crown and it is therefore his responsibility to some extent. I also bring it up because I have heard-I have no authority for this except common rumour-that the Minister of Finance may not accept the \$2,000 for car allowance. Of that I do not know. It is common knowledge that there are many ministers of the crown who are making great sacrifices to serve the state. They do it at great financial loss to themselves in order to help in the war effort, and they make sacrifices in times of peace as well. Many private members of the house also make considerable sacrifices in serving their country as best they can. However, this \$2,000 car allowance, if prorated on a mileage basis at $7\frac{1}{2}$ cents a mile, which is the common commercial figure for automobile expenses, would represent a total of 26,660 miles. It cannot be said that ministers are to-day entitled to a chauffeur. Certainly the Prime Minister, even in these times, should have a chauffeur to facilitate his getting about, but with the shortage of man-power I do not believe there are other ministers of the crown, certainly not many, who are entitled to a chauffeur in these days, at the expense of the state. Against this 26,660 miles is the fact that we have now gasoline rationing and the ordinary person is not allowed to drive more than 4,000 or 5,000 miles. It is an utter impossibility for a minister to be attending to his duties in the house and in his department and use the money he gets on auto-mobile travelling. Not only is this \$2,000 given to ministers as car allowance, but it is tax free, and that means-

The CHAIRMAN: Order, please. I do not believe it would be in order at this time to discuss an expense which is not before the committee to be voted. The item of \$2,000 for each minister of the crown is a statutory allowance. It has been fixed by statute. If the hon. gentleman desires to discuss the propriety of the continuance of that item of expense he should introduce legislation or discuss it at the proper time—for instance, on 44561-3233

Supply—Finance

a motion to go into supply, or otherwise. But this item which is the only thing referred to the committee of supply and which is under discussion does not permit of such a debate. With respect to the general principle which the hon. member has set out, namely, that on the departmental administration item now before us, hon. members may discuss any item of finance, that would be quite preposterous. Rule 58 (2) is clear. When we are in committee hon, members must adhere strictly to the item before the chair. If the principle urged by the hon. gentleman were to be allowed, it would then be permissible under this item, to discuss any question of sub-sidies on wheat or wheat acreage, or any other matter of that sort, which would mean reopening a debate already disposed of. I must rule that the hon. gentleman cannot discuss this point at the present juncture.

Mr. JACKMAN: The salary of the Minister of Finance, and motor car allowance, are both set forth—

The CHAIRMAN: That is statutory.

Mr. JACKMAN: I realize that "S" means statutory, but I find it difficult to have an opportunity to discuss the matter in the absence of any statute or resolution which would make discussion possible.

The CHAIRMAN: I could point out a number of opportunities; I am not here to point out to hon. members such opportunities. I am here to expedite the proceedings of the house in an orderly manner. I could say, however, that such opportunity is available on the speech from the throne, on the budget debate, or on any motion for the house to go into supply except on Thursdays and Fridays.

Mr. JACKMAN: I must accept your ruling.

Item agreed to.

48. Bank inspection (Inspector General of Banks' office), \$27,042.

Mr. COLDWELL: I know that the matter of maintaining parity between Canadian and United States funds has been discussed during the session and I do not propose to deal with it now. The policy has already been laid down, although I think that with the large imports into Canada some arrangement with the United States for parity between the two dollars would have been beneficial to the war. However, I have been asked a question which I cannot answer. When we sell United States funds we sell at a premium of 10 per cent if they are dollar bills, and, I believe, 7 per cent on silver. If we buy we pay 11 per cent in each case. Who gets it? Mr. ILSLEY: The foreign exchange control board.

Mr. COLDWELL: The popular opinion is that the banks get it.

Mr. ILSLEY: Less shipping charges on coinage. I may add that the foreign exchange control board has agents all over the country. Those agents are the chartered banks, and perhaps it would be misleading to say that the exchange control board gets one per cent. It does get it, but out of that it has to pay commission to its agents.

Mr. COLDWELL: The amount paid would be less than the amount collected.

Mr. ILSLEY: Oh, yes.

Mr. COLDWELL: That is the point.

Mr. ILSLEY: Yes, there is a profit on it.

Item agreed to.

51. Old age pensions, including pensions to the blind-administration, \$41,320.

Mr. MacNICOL: Has any table been prepared to show how much extra it would cost the country if the pensionable age were reduced from 70 to 65 and the allowance increased from \$20 to \$30?

Mr. ILSLEY: I have not that information here, but it was given in a return moved for some time ago.

Mr. MacNICOL: I know it was, but I should like to see it on *Hansard*.

Mr. ROSS (St. Paul's): Some time ago the minister said that the question of increasing old age pensions was a provincial matter. Have any of the other provinces signified their willingness to increase their proportion so that the dominion might do likewise in order to give the pensioner a little more than he gets now?

Mr. ILSLEY: British Columbia and Alberta are themselves supplementing old age pensions payable to pensioners in those provinces.

Mr. ROSS (St. Paul's): I understood the minister to say that the dominion government could not do anything about it, but that if the provinces raised their proportion the government would also raise its.

Mr. ILSLEY: That is not correct.

Mr. MacNICOL: In Ontario there is also medical attention.

Mr. MacINNIS: I do not believe there is another matter in regard to which I receive more letters and complaints than I do in connection with the treatment of old age

[Mr. Coldwell.]

pensioners. During these war years we have not had the opportunity of discussing matters of this kind as in other years. It is, however, a matter of the most urgent importance. I notice that the statutory provision, that is the dominion's share of the payment of old age pensions, is down this year by some \$572,000. No doubt that can be accounted for because of the greater employment available than before the war. But instead of the amount being less, if we are going to give any consideration at all to our old people, people who are now not able to look after themselves, the amount should be a great deal more.

May I bring to the attention of the committee the position in which the government and this parliament will find itself in the mind of the general public. Hundreds of thousands of the general public come in contact with these old age pensioners. In every community there are a number. Yesterday we provided a pension of \$1,800 a year for the widow of a certain person. Thousands of widows in this country, mothers who have raised the sons who fought the last war, and some perhaps in this one; people who have given their lives to building up and making this country what it is, are expected to get along on the measly amount of \$20 a month. In many cases it is less. I think the average last year was about \$19, the amount that our dollar-ayear men require for one day's expenses. It is time that the government of this country made up its mind that something better than that is required. I could have brought a sheaf of letters here which would indicate the terrible circumstances of these people. In my own province, although the amount has been raised-

The CHAIRMAN: Order. I must draw the attention of the hon. gentleman to the point I already mentioned a minute ago. The item of \$31,372,500, which covers pensions, is statutory. The question of policy has been fixed by statute. The hon. gentleman is now discussing the adequacy of such pensions. That can be done only at an appropriate time during the session. We are now concerned only with the expense under item 51, which is for the administration of old age pensions. Details appear at page 79.

Mr. NEILL: Mr. Chairman-

Mr. MacINNIS: Mr. Chairman-

The CHAIRMAN: Order.

Mr. MacINNIS: Well, I had the floor. If the hon. member for Comox-Alberni wishes to help out in this, as I believe he does, he will have an opportunity so far as I am concerned. I would draw the attention of the chairman to the fact that there is no possible way in which we can discuss old age pensions except on this item. If the chairman would stop making speeches we would get along much faster.

The CHAIRMAN: It is not for my own humble person, but as long as I occupy the Chair I cannot allow an hon. member to tell the chairman to stop making speeches when he explains a ruling. I am now telling the hon. gentleman that the house has referred to the committee of supply certain expenditures to be incurred by the crown and to be voted by this committee. The statutory provisions of an act of parliament such as that dealing with old age pensions, the adequacy of such pensions, are not before the committee of supply.

Mr. MacINNIS: Mr. Chairman, I am going to appeal your ruling. I have a duty to perform to the old people of this country, and if I cannot discuss their needs here because of your ruling, then at the proper time I am going to appeal from your ruling. I am going to discuss this matter; I do not care if we stay here until next October.

The CHAIRMAN: The ruling is not debatable, but-

Mr. ILSLEY: I do not want to say anything about your decision, Mr. Chairman, but perhaps by unanimous consent this could be discussed.

The CHAIRMAN: I have no objection. If the hon. gentleman has unanimous consent.

Mr. COLDWELL: Just a minute, before that precedent is set. We are not asking for unanimous consent to do something that is within the right of a private member to do.

The CHAIRMAN: Well, then-

Mr. COLDWELL: May I speak without interruption?

The CHAIRMAN: The hon. member may speak only to the point of order.

Mr. COLDWELL: I am speaking to the point of order. The Chairman has disputed the right of an hon. member to discuss old age pensions on the item "old age pensions" in the estimates. The Chair says this should be done on the appropriate occasion. I point out that on February 16 the hon. member for Vancouver East filed with the Clerk of the House, and it so appears to-day in *Routine Proceedings* and *Orders of the Day*, at page 10, a motion which reads thus:

Whereas it is becoming increasingly difficult for persons in the age group of 60 to 70 years to hold employment, and next to impossible for such persons to regain employment once they have lost it;

And whereas the present amount of the old age pension is much below what is necessary for a decent standard of living;

And whereas the increase in the cost of living since the outbreak of war has further depressed the standard of living of old age pensioners,

Therefore be it resolved,—That, in the opinion of this house, the government should give immediate consideration to the lowering of the present pensionable age and the increasing of the amount of pension.

So that the hon. gentleman tried to do the appropriate thing in connection with this matter. Since this is an estimate which deals with old age pensions, I contend that the hon. member has the right to discuss it under this item.

Mr. MACKENZIE (Vancouver Centre): The hon. member is entirely out of order in referring to an order on the order paper which has not been reached. But I think he is quite in order in his contention that the old age pensions administration can be discussed, not under the statutory vote, but under the vote for administration.

Mr. COLDWELL: I was pointing out that the hon. member has taken every step possible to ensure discussion of this matter.

Mr. ILSLEY: As my colleague has pointed out, an item on the order paper cannot be discussed. But as the question seems to be whether other means may be taken or other steps adopted to bring the matter before the committee, and as other steps have been sought to be taken, I suggest that the hon. gentleman be permitted to discuss this matter under this item.

The CHAIRMAN: If the hon. gentleman has unanimous consent.

Some hon. MEMBERS: No.

Mr. MACKENZIE (Vancouver Centre): I differentiate between the two items of the vote, the portion dealing with administration and the statutory portion. I agree that it is the statutory portion we are discussing, but under "administration" I maintain that anything in regard to old age pensions can be discussed in committee of the whole.

Mr. NEILL: I hope the hon. member for Vancouver East does not get the unanimous consent of the committee, and I hope he has the courage to put it to a vote. This matter of the government getting out of its obligations and responsibilities, and depriving us of our rights by asking for unanimous consent, is played out. It is a device which has been resorted to time and again this session. We

Supply-Finance

are supposed to have certain rights, but I am beginning to wonder whether we have any remaining. The latest method of carrying on is for the chairman to say "You are out of order, but you may continue if you get unanimous consent," and then hon. members, for shame's sake, make it unanimous. But either we have rights or we have not. At one time we had the right to place resolutions on the order paper, but that right was taken away from us in order to expedite government business, or so we were told. Following that we were told that we could discuss these matters on the particular items of the estimates. A minister of the crown, I believe it was the Prime Minister himself, told us either this session or last session that there would be an opportunity to take up these matters under appropriate items of the estimates. Now we come to this item, which deals with the cost of administration. Ever since I have been in the house, and that is for twenty years, we have been allowed to discuss anything pertaining to a department under the item of "administration."

The CHAIRMAN: By consent.

Mr. NEILL: No, without consent. This consent business is a new device that has been brought into operation only within the last year or two. We can easily get around this thing, if we are going to have chiselling and quibbling, by moving that the item be reduced We could not move to have it by \$1. increased, because that would be against the rules, but we could move to have it decreased and say we were doing so because we wanted to call attention to the need for a larger vote to take care of old age pensioners. I do hope the hon. member will put this to a vote, to ascertain the feeling of the committee. If these decisions are permitted to go unchallenged we might as well go home. Yesterday we had a decision that the word "inaccurate" was out of order. I think perhaps it would be better if we did go home, if we are to be simply puppets in this house, instead of representatives of the people.

The CHAIRMAN: I do not believe the hon. gentleman is correct with regard to the incident of yesterday. My recollection is that one hon. member said another had made a deliberate misrepresentation, and I ruled that the word "deliberate" was not in order. I still adhere to that ruling. I do not recall that any ruling was given on the word "inaccurate."

Mr. NEILL: Oh, yes. It is in Hansard.

Mr. MACKENZIE (Vancouver Centre): I raised the point of order, Mr. Chairman, and I maintain it. I think it is correct that while [Mr. Neill.] the statutory portion of the vote is not debatable, the first item, dealing with "administration," opens the door to a complete discussion of old age pensions.

Mr. ILSLEY: I agree with that.

The CHAIRMAN: The item of \$31,372,500, which covers the pensions paid under the statute, is not before the committee to be voted. The item before the committee covers the expenses incurred by the department in administering the act. From time to time by agreement or unanimous consent hon. members have been permitted under the departmental administration item to discuss other matters pertaining to the department, but that is by unanimous consent.

Mr. NEILL: No.

Mr. COLDWELL: No; by right.

The CHAIRMAN: It is by tolerance of the committee, because there is only one rule applicable in the circumstances. That is standing order 58, which provides that we must adhere strictly to the item under discussion. There is nothing in item $\delta 1$ which could enable hon. members to discuss the terms of a statute which provides for pensions. That statute determines the country's policy as to amounts to be paid. That has nothing to do with item $\delta 1$. But I am in the hands of the committee.

Mr. MACKENZIE (Vancouver Centre): The responsible minister has agreed to a complete discussion, and on behalf of the government I also agree to have the discussion proceed as suggested by the hon. member for Vancouver East.

Mr. NEILL: By right.

Mr. MACKENZIE (Vancouver Centre): Yes. In my honest opinion, and in my judgment of the rules of the house, I think the discussion is a matter of right.

The CHAIRMAN: My ruling is not debatable, but an appeal may be taken to the house. I cannot agree that under standing order 58, a general debate other than on the item before the committee can be permitted.

Mr. MACKENZIE (Vancouver Centre): With great respect to your ruling, Mr. Chairman, my opinion is that under the item of "administration" the whole question of the administration of that department may properly be discussed, as a matter of right.

Mr. MacINNIS: I refuse to speak on sufferance in this committee, Mr. Chairman. Even if rule 58 was capable of the interpreta-

5130

tion you have placed upon it, custom has made this a proper procedure, and I rest my case on that. If you do not wish to let me speak on that basis I appeal from your ruling.

The CHAIRMAN: Custom cannot overrule a formal standing order. I will simply allow the discussion, by unanimous consent.

Mr. MacINNIS: I am not speaking by unanimous consent. I appeal from your ruling.

Mr. ILSLEY: All I am concerned with, Mr. Chairman, is letting these hon. gentlemen have their say and getting it over with, on any terms they like, because we are taking up quite a bit of time. But if they are going to stand on this point, I think with my colleague from Vancouver Centre that they have the right to discuss the matter here.

Mr. MACKENZIE (Vancouver Centre): If necessary we can appeal from the ruling. I know the rules of the house fairly well, or I think I do, and I am convinced that under the item of "administration" you can discuss the whole department and everything pertaining to it, regardless of standing order 58 or any other rule.

Mr. STIRLING: May I just observe that during the considerable number of years I have been in this house there have been many instances, perhaps every time the estimates have been under consideration, when the government of the day has consented to the giving of wide latitude in discussing matters, such as old age pensions in this case, on the item of "administration". For the purpose of getting on and having some progress made, and giving each hon. member who desires to do so an opportunity to make a statement on a matter about which he feels deeply, I suggest to you, Mr. Chairman, that the hon, member proceed with his statement forthwith.

Mr. ILSLEY: You may be right about this, Mr. Chairman; I do not know. The point has never been raised so sharply before. I did not take any exception to the discussion when it began; I expected it, but you may be right in saying that it has gone on by unanimous consent, year after year. In any event I am quite willing to have it go on under any terms, as long as it goes on.

Mr. COLDWELL: May I suggest to the chairman and the minister that it has been the right of a private member at all times to inquire carefully into any expenditures made by his majesty. That is history, and I contend that the hon. member for Vancouver

East is exercising that right and is going to exercise it, or we will appeal from the ruling of the Chair.

The CHAIRMAN: I have brought the attention of the committee to the rule of the house, standing order 58. I have also taken note of the practice that has developed in this house. I have stated to the committee my interpretation of the rule. Now I take it that the hon. gentleman has the unanimous consent of the committee to proceed, and, that being so, without reference to my ruling, but stating that I foresee, on account of that precedent, innumerable difficulties in future, I will allow the hon. member to proceed.

Mr. COLDWELL: By right.

Mr. MacINNIS: I am proceeding by right.

The CHAIRMAN: I simply say that he is allowed to proceed.

Mr. CRERAR: Proceed by right, or some other way-but proceed.

Mr. ROSS (Moose Jaw): Above all else, proceed.

Mr. MacINNIS: I shall try to expedite the business of the committee. This was the only opportunity I had of drawing this matter to the attention of the committee. I have no desire to hold up the business of the committee by making a lengthy statement. But every hon. member knows the need, and realizes that even at this time the government of Canada can do better than it is doing for our old people. We must realize that the meagre pension of \$20 a month means much less now than it did before the war. Because of the increased cost of living the value of that pension is reduced by at least 15 per cent. Because there has been an even greater increase than that in the cost of foodstuffs, and because of the further fact that pension receipts are spent chiefly on foodstuffs, the reduction in value of the pension in providing subsistence is much greater than is indicated by the general percentage of increase in the cost of living.

I have no doubt there are many hon. members who wish to add their word of approval to what has been said on this point. For that reason I will leave what I have said with the committee. I have high regard and respect for the Minister of Finance. He now knows the situation, and I suggest it is up to members of the committee to impress it still more firmly on the minds of members of the government so that something may be done.

Mr. MacNICOL: I had intended asking the minister a question on this item. I should

Supply—Finance

have liked to proceed myself, but I felt I would have been out of order under standing order 58 (2), as has been pointed out by the chairman. May I say a word for the chairman, too—and of course in saying this I am out of order. Our present chairman is good at expediting the business of the committee. He is good at adhering to the rules, and I like to see that. All of us should adhere to the rules.

I should have liked to speak at greater length on this subject of old age pensions; but I shall content myself by simply endorsing what has been said by the hon. member for Vancouver East. I, too, for a long time have been an advocate of reducing the old age pension age limit to sixty-five years. Perhaps it would be more correct to say that it should be increased to sixty-five years. I believe, further, that the pension should be not less than a dollar a day, or approximately \$30 a month.

For the present I shall have to be content with this brief statement.

Mr. HATFIELD: I should like to endorse what has been said by the hon. member for Vancouver East. The old age pensions received by the old people to-day represent only a starvation existence. What is the reason for the difference in average payments? I notice that the pension paid in British Columbia is \$19.13, in Nova Scotia and New Brunswick \$14, and in Prince Edward Island \$11.

Mr. ILSLEY: I think the limit in Prince Edward Island is \$15. Apparently Nova Scotia and New Brunswick are more strict. They make very careful inquiries into the circumstances of applicants, and if they have incomes, or possible sources of income, the proper allowance is made. I presume that that is done to a greater extent in those provinces than it is in British Columbia.

Mr. COLDWELL: Just a little closer fisted.

Mr. HATFIELD: I do not think that is any reason at all. I do not believe the pensioners in Nova Scotia and New Brunswick are getting their fair share. That is my my experience.

Mr. ILSLEY: It is within the administration of the provincial authorities.

Mr. NOSEWORTHY: I have had a number of complaints from old age pensioners whose sons are in the armed forces. They complain that when a small dependent's allowance is made by reason of a son's service in the armed forces the old age pensioner's pension is reduced by an equal amount. That seems to me the last straw, for a govern-IMr. MacNicol.] ment that is attempting or professing to attempt to build a new social order while a war is on.

I have discussed this matter with the department and have been informed that that is the regular procedure. When dependent's allowance is granted by reason of a son's service in the forces, that amount is deducted from the old age pensioner's pension in Ontario.

Mr. MacNICOL: I protest against that, too.

Mr. JOHNSTON (Bow River): I wish to join with other hon. members who have protested against the amount of subsistence given to old people. It is generally conceded that the cost of living increase is now about 15 per cent. That fact alone should be sufficient to convince the government that this \$20 a month should be increased. That fact has been recognized in other departments by making an allowance for increased cost of living. Surely when the government recognizes the principle, and when one government department every so often publishes an index to show the increased cost of living, it should be clear without argument that it should raise the amount of the old age pension. That principle has been established in Alberta. It has been clearly recognized there that under present conditions \$20 a month is not sufficient for the old people to maintain a decent standard of living. With that in mind they have increased the amount, on their own account, to the extent of \$5. They know that the \$20, and even the present \$25. is not sufficient.

When I was home I had the pleasure of addressing a large number of old age pensioners. I learned that before that time another member of parliament had addressed the same group. In effect that gentleman said these old people should be ashamed of themselves for even asking for an increased pension. Surely we should not attach the stigma of unpatriotism or charity to the old age pensioner, because in my opinion those people have every right to their pensions and not from the point of view of charity. At this time when the government is spending thousands of dollars in an endeavour to build up morale in commercial enterprises, it should be recognized that one of the best ways of doing that would be to treat our old people properly. I venture to say that a number of people in industry, and especially in the aircraft industry, may have elderly parents or grandparents who are receiving old age pension. One of the best ways of building up morale, not only in these industries but

in the country as a whole would be for the government to take action to see that these old age pensioners have at least a decent standard of living. After all, what are we fighting for, if it is not for the establishment of such a principle? We must convince our people that we are really sincere when we say that when the war is over they will have a decent place in which to live. Our country is at least worth fighting for. I want to join heartily in everything that has been said in this regard.

Mr. NEILL: I wish briefly to endorse what has been said by the hon. members who have spoken in favour of increasing old age pensions. This illustrates the unfortunate political system under which we work. The British North America Act puts the responsibility for old age pensions solely on the provinces. In 1925 and 1926 we realized the impossibility of the provinces carrying a burden of this character, and we devised what we thought was a wise system, a sort of joint scheme under which the dominion contribute so much and the provinces the same. Unfortunately that involved an agreement with each province, and it also gave the opportunity to both the dominion and the provinces to shirk their share of the responsibility as time went on.

If the minister speaks he will probably say that the dominion government would not be justified in increasing these pensions because a few of the provinces are now paying less than the \$20 allowed. If the pensions were increased it might mean that the dominion would be paying the full amount of the increase. That argument sounds plausible, but it is not so much so when it is considered that in some of the provinces the cost of living is lower, and also they take into consideration what assistance is given by relatives. A special committee dealt with this matter in 1925 and 1926. Witnesses were called and we asked them the same question-"When should old age pensions begin, and what should be the minimum?" We had a railway man as a witness on one occasion, and I think he put it very well when he said, "I hardly care to answer that question; it does not affect us because we have our own pension scheme; I say, get it started, no matter how low it is, because we know it will never get any less; the age limit will go down and the amount will go up-popular sentiment will encourage it." Those of us who favoured the scheme consented to the limit being placed as low as it was because we believed that in time it would be increased. If there ever was a

time when it should be increased it is now, when the cost of living has risen so considerably.

dominion government under Mr. The Bennett raised the proportion paid by the dominion from 50 per cent to 75 per cent. I hardly think he was justified in doing so; in my opinion that made the situation worse. If there is any increase the dominion government will have to pay 75 per cent of it, although that should not necessarily be so. This question was given careful consideration in British Columbia, and the province decided to apply to the dominion. The dominion replied that nothing could be done unless the unanimous consent of all the provinces was received. The province realized that that might be difficult to obtain. It was suggested that perhaps individual deals could be made, that British Columbia might be willing and Nova Scotia could be left out if they were not willing; but there was objection to that. Pressure was exerted upon the provincial government, and finally that government, in an effort to meet the increased cost of living which these older people have no possible hope of meeting, decided that pending legislation by the dominion-because the initiative must be taken by the dominion-they would give an additional \$5 a month, ostensibly as a cost-of-living bonus. That has been done, I do not know whether the same thing has been done in Alberta, but I think it has.

This \$5 a month in British Columbia is paid on the express understanding that it is a temporary device to meet the situation. It was anticipated that the dominion might come forward with a different proposal and that each province would agree. I would not object if the dominion agreed to grant another \$5 on condition that the provinces pay a larger share. I do not think it would hurt them to do that, because, after all, this matter comes under their jurisdiction. If the minister speaks I know he will use the argument: How can we compel Prince Edward Island to pay more than \$20 a month when she is willing now to pay only something like \$11? That is one of the obstacles we have under this system of two jurisdictions. We would have been much better off if the dominion government had assumed the whole responsibility. It would have saved trouble, and we would not have had the present dual organization and dual control. It increases the expense and does not increase the benefits.

This government should take the lead. Consideration should also be given to reducing the age limit. I am afraid I must put the responsibility upon the dominion government, because it is up to them to take

REVISED EDITION

Supply-Finance

the lead. The provinces cannot force this upon the dominion, but if the dominion came forward and made a proposal as they did in 1925 and said: Here is what we are willing to do; if you take it, you will get so and so; if you do not take it, you will not. I am sure many provinces would accept the proposal for a larger pension.

Mr. ROSS (St. Paul's): I said a few words about this matter and then asked the minister whether the provinces had approached him. I intended to complete my remarks. The whole principle of old age pensions is wrong. It is merely charity. If a man is without means, he gets something; if he has means, he does not get anything. We have recognized the fact that unemployment insurance is necessary, and I think it is just as necessary to have a contributory system of old age pensions. Then it would not be a matter of charity. Funds could be built up to take care of it and there would be no drain upon the country. One objection I have to our present system is that these older people are investigated and investigated, and the amount of the pension is kept down as low as possible. The question whether the age should be sixty-five or seventy years is something that could be discussed, but the age limit should vary with the age of the individual. If a man is in good health at 65 years he may not need a pension.

Mr. McCANN: Ontario has made a progressive step along the lines indicated by the hon. member for Comox-Alberni (Mr. Neill). On May 1 or June 1 the Ontario government, on the advice of the Ontario medical association, appropriated \$750,000 to be used to defray the cost of medical attention for people who come under the old age pension scheme and the mothers' allowance. I should like to know from the minister whether the dominion will bear 75 per cent of the expense in connection with old age pensioners. The matter of a contributory pension scheme has been brought up in this house on a number of occasions. It is something which should commend itself to all those who are interested in the social welfare of our people, particularly of our older people. A plan could be put into operation under which people would begin to pay early in life. When they reached the age of 60, 65 or 70 years, they would have returned to them their own money along with an equal contribution by the state. If they did not need assistance when they reached this age, their own money would be returned plus a small rate of interest. I feel sure that if the dominion would agree to contribute to any provincial scheme for

the medical care of these people, similar to the one now in effect in Ontario, it would be acceptable to most of the provinces.

Mr. JACKMAN: When the minister replies would he outline what the constitutional position is as between the dominion and the provinces, and state just where the initiative lies in dealing with old age pensions? The feeling is held very generally throughout the country that the amount payable to aged persons who have no other income than the old age pension, or the maximum of \$365 allowed to old age pensioners who have some private means of their own, are too little to get along with in these days, having regard to the increased cost of living.

Mr. QUELCH: I want to add my voice in support of those who have spoken on behalf of the old age pensioners. We have heard a great deal from the government and the Prime Minister about the new social order that is to come after the war. The government is wise in emphasizing that, because from oneend of Canada to the other there is fear on the part of the people as to what is going to happen after the war. The Prime Minister has said that unless this new social order is well on its way before the end of the war we may look for it in vain. I do not think the government could find any better way of assuring the people that they are sincere in this matter than by increasing the amount of the old age pension. It might not be wise at this time to decrease the pensionable age but that should be done immediately after the war is over. The last time the Minister of Finance spoke on this subject in the house, I think it was last fall, he mentioned two alternatives, and to-day he referred to one of them. Can he say what the position is regarding the other alternative he laid down, that if the provinces were to ask for an increase in the amount of old age pension the federal government would give the matter serious consideration? How many provinces have asked the government to increase the amount of the old age pension?

Mr. ILSLEY: I could not say at the moment how many have, but certainly it has not been general.

Mr. COLDWELL: Is Saskatchewan one of them?

Mr. ILSLEY: I could not say at the moment.

Mr. QUELCH: Have any of the western provinces asked for an increase?

Mr. ILSLEY: I do not know at the moment.

5134

[Mr. Neill.]

Mr. MAYBANK: I have felt for a long

time that the pension should be increased,

particularly since we have adopted a cost-of

living bonus since the war. If any persons at

all are entitled to the cost-of-living bonus, surely those living on an old age pension should receive it. We accepted many years

ago the responsibility for persons who are over seventy, and if we agree that the costof-living bonus should be paid in certain

cases, I cannot see where there is any argument against it for the old age pensioners.

The only point that could arise would be the

constitutional difficulty. But that was over-

come before, and if there is a will to do a

thing you can generally overcome difficulties

of that sort. It was overcome when the

scheme was initiated. I do not wish to do

any more at the moment than simply to sup-

port the general principle that there should

be an improvement in the position of the old

age pensioners. I should also like to express

my approval of the remarks made by the hon.

member for Renfrew South with reference to

the federal government joining in the medical

services scheme which has been instituted by

Ontario. If a similar effort were made in this

regard the rest of the provinces would prob-

ably come into such a scheme. Let me con-

clude by saying as emphatically as I can that

the old age pensioners are receiving less than

they should get in view of all the circumstances

Mrs. CASSELMAN: I, too, feel that the

amount the old age pensioners receive is not

adequate to the need. I would join with other

members in urging that consideration be given

to increasing the amount of the pension, or at least to granting them the cost-of-living bonus.

Mrs. NIELSEN: Can the minister give us

the definite assurance before we pass this item

that the officers of his department will give

special consideration to this whole problem

with a view to definite action being taken after

Mr. ILSLEY: The consideration of the

matter is really not the responsibility of the

officers of the department. It is a government

responsibility, and I would not want to dele-

gate it to anybody else. The responsibility

for old age pensioners is a provincial responsi-

bility. I am unable to see in what respect

there is any difference between old age pen-

sions and the mother's allowance in that respect, because the mother's allowance is assumed entirely by the province, and the province fixes the amount. The dominion has

an agreement to contribute up to \$15 a month

Supply-Finance

this government is concerned. We did not think that in time of war we should adopt the cost-of-living bonus principle for old age pensioners. If we did that, it would mean that in a period such as 1932 and 1933 we would have to reduce the amount paid to the old age pensioners. The cost-of-living bonus policy is a wage policy, not a policy applicable to compassionate allowances or anything of the kind.

With regard to contributory pensions, I am of the opinion, and I think nearly everybody is, that that would require the addition of certain words to section 91 of the British North America Act. I think it would be a good idea if it were done, but whether we should start that in time of war I do not know. It would mean another deduction from payrolls, and deductions are getting numerous as it is. But eventually I think undoubtedly we shall have to have contributory pensions, and I should think it should be done by the dominion government after the necessary constitutional amendment is made. In the meantime these allowances, which are more or less compassionate allowances, we treat as the responsibility of the provinces, and we are contributing up to \$15 a month to the provinces to enable them to discharge their responsibility. We are prepared to change the regulations for any province so that if the province wishes to give a cost-of-living bonus or anything else to supplement the pension it can do so without lessening the amount of our contribution. British Columbia and Alberta have done that already.

Mr. MacNICOL: And Ontario has the medical services scheme.

Mr. ILSLEY: Yes, but that would be a provincial responsibility purely. We have no authority to share that, nor would we desire to share that, any more than we do the supplemental allowance paid by British Columbia and Alberta.

Mr. COLDWELL: The minister has spoken of contributory pensions supplemental to the pensions now paid; that is, people who are going to contribute will still receive the old age pension. I suggest that some consideration be given, if we are to continue compulsory savings in our budget, to the advisability of earmarking a percentage of that money for contributory pensions.

At one o'clock the committee took recess.

The committee resumed at two o'clock.

Mr. ILSLEY: Before we proceed with this item there is just one remark I should like

to the old age pensions paid by the province. That is the constitutional position so far as

44561-3241

of life to-day.

this session?

5135

Supply—Finance

to make. The member for Rosedale (Mr. Jackman) tried to discuss the question of salary and motor car allowance but was ruled out of order. No one else said anything on the subject, nor did I, but the hon. member made a personal reference to myself to the effect that he had heard that I, that is the Minister of Finance, do not accept the motor car allowance. I do not want any misunderstanding about that. I do not wish to have my silence taken as admitting that it is true. I accept the same monthly cheques that all my colleagues accept, which are made up on the basis of \$2,000 a year.

Mr. CASTLEDEN: On the question of old age pensions, it is quite evident from what has been said that every member in this house will support any proper measure of reform. I do not think there is any single thing which does more to condemn an administration than the fact that it does not adequately take care of those who cannot take care of themselves. An increase in the pension is imperative, particularly where people in their old age cannot afford necessary medical treatment. The first charge on the wealth produced in any state ought to be to take care of those who are either too young and helpless or too old and helpless to take care of themselves. The old age pension scheme should be brought up to date. I support fully the plea of the hon. member for Renfrew South (Mr. McCann) that something be done about it. The government have power under the order in council to take the necessary action, where medical attention is needed. The paltry sum of \$20 or \$25 may enable people in some areas to eke out an existence, but when people reach the age of 70 and find that they have to spend \$10 or \$12 or \$15 on medical services, the outlook is hopeless.

Mr. MacNICOL: In Ontario old age pensioners and those receiving mother's allowance are given medical attention.

Mr. CASTLEDEN: That is excellent. Why should the practice not be uniform? I am not going to prolong the discussion, but I urge upon the minister that he try to persuade the cabinet to make the system uniform, so that those who are receiving the pension may get medical attention when they need it.

Mr. BLACKMORE: The Old Age Pension Act, like a good many of our other concepts to-day, was framed from the point of view of an age of scarcity. We have an age of scarcity complex. People have not come fully to realize the implications of the fact that since 1928 we have entered the period when the world can produce more than it can [Mr. Ilsley.] consume. This country can produce more than it can consume. That being so, there is no conceivable excuse for allowing anyone in the country to suffer from lack of food, clothing, shelter, medical attention, amusement, culture or any of these things. We need to bring our old age pension scheme up to date from one end of the country to the other. Twenty dollars a month never was high enough. All one needs to do is to reflect on the position in which an elderly person is placed who has to maintain an independent establishment.

Last winter I had an experience which left on my mind an impression that will never be erased. In a certain city, which I will not name, there were a number of elderly men over sixty-five years of age. These poor old men had no relatives, they were not married, they had no family connections of any kind. There were six of them in a little shack. They had got together and agreed to contribute to pay the rent and buy the fuel, and in this way they were able to carry on. I wondered time and again after I saw them what would have been the position of any one of these luckless men if he had not been able to find the other five, if he had had to establish himself independently. All we need to do is to think how far \$20 a month can go towards paying rent and buying food and clothing and providing medical attention, a little culture, and a little bit of amusement once in a while. Are our elderly people to be denied the privilege of going to an occasional picture show at a time of life when they need some comfort? We have only to name the various things which old people need to see how pathetic the meagreness of \$20 a month is.

The age is altogether too high. To set the age limit at 70 is almost to render the pension inaccessible to the ordinary person whose span, according to the scriptures, is supposed to be three score years and ten. True, a great many people reach the age of 70, but a great many others do not, and to set the age at 70 is to deny a large number of people who have helped to build up the country the privilege of having a little comfort in return for their contribution to society. The age, I repeat, is too high.

Once more may I remind the committee that this is an age of abundance. That fact alone has changed the whole situation with respect to aged people. This is a young man's war. This is a young man's age. When a man reaches the age of fifty he is under a serious handicap in an attempt to get work in any kind of activity. Employers want young men. They demand young men. Take agriculture as an example; fifty years ago a man who could handle a team could do agricultural work. An older man could manage that. But to-day he would have to be able to handle a tractor and many other kinds of machinery. If he had not learned to handle these in his youth it would be beyond his capacity to do it at an advanced age. The ordinary farmer would not dare to trust the older man with those machines. Elderly people are simply not wanted in industry, which means that no matter how earnestly they try, they are unable to supplement their income. It practically means that people from sixty to seventy years of age are condemned to starvation unless some one gives them charity. It is a serious matter.

Another thing, sixty years ago the ordinary old person could have a cow or two and produce milk and butter and be sure of a market. To-day there is no certainty of a market. This makes it much more difficult for elderly people to carry on.

The pensionable age should be reduced at least to sixty-five and as soon as possible to sixty. The dominion government neglected to do what it should have done when it did not come to the assistance of Alberta and British Columbia in their efforts to increase the old age pension. What has actually occurred is that these two provinces have been obliged to resort to increased taxation on their people in order to raise money for the old age pension. And this at a time when more than at any other time in the history of this country the dominion government has been obtruding into provincial taxation fields and rendering it more and more difficult for the provinces, except during war time, to raise enough revenue to carry on their ordinary affairs.

It has been said that this is a provincial matter. I challenge that statement. It is a dominion matter, whether the constitution says so or not. The minister does not need to be so nervous about infringing on provincial rights. He showed no nervousness when it came to taking away their money. showed no nervousness when He it came to managing the prices of the country and anything else that it suited his purpose to manage. He is not going to be endangering the British North America Act by offering money to the provinces with which to increase their allowance to elderly people. We have heard too much of this plausible, deceptive, specious talk about matters being provincial matters and therefore untouchable by the dominion.

One very important reason why the dominion should enter this field is that the provinces

Supply-Finance

differ widely in the matter of wealth. I believe Ontario is the richest province in the dominion; British Columbia comes next, and Alberta probably third. Some of the maritime provinces are not nearly so blessed with resources and means of raising money as other parts of the dominion. To expect a province like Prince Edward Island to pay out of its own revenues an old age pension as great as Ontario could pay is expecting something which is financially, and probably physically, absurd. The only way in which conditions can be equalized among the various provinces is through dominion government intervention, by grants which will enable the various provinces to pay the same rate. Surely a man who has fought life's battle up to the age of seventy in Prince Edward Island is entitled to as good an income as the man who has fought those battles in British Columbia. Why should he be deprived of equal advantage merely because he has done his work where the sun rises instead of where it sets?

I do not wish to prolong this discussion, but I do raise my voice in defence of a higher pension for old age. It should be \$30 a month at least in these times; and the age at which the pension becomes payable should be lower—sixty-five at least, and as soon as possible, sixty.

Mr. O'NEILL: I do not intend to delay the committee with any extended remarks, but I concur in everything that has been said with respect to increasing the old age pension. It must be apparent to everyone, because the government's figures show it, that the cost of living has gone up 15 per cent. Definitely, then, the old people have been subjected to a reduction of 15 per cent in their pension. If anyone in this country should get the cost-of-living bonus it is the old people. The way we treat them is disgraceful for a country as wealthy as Canada. There is no justification for it. I wish to congratulate the hon. member for Vancouver East upon the very able way in which he presented the case this morning for the old people.

The house is doing its utmost to finish its business by to-night. We have some \$400,-000,000 of estimates to deal with. No proper consideration can be given to them. It goes "Item so-and-so—carried". The item is not even read. It is apparent to everyone that what should be done is to have these estimates examined carefully by a committee. And another thing that developed here this morning is with respect to private members" rights. If we have a right to speak we should be able to speak without getting the unanimous consent of the house or of the committee.

The CHAIRMAN: That matter has been settled. It is not debatable now.

Item agreed to.

General.

68. To provide, subject to allocation by the treasury board, for annual salary increases in accordance with the terms of order in council P.C. 9/628 of January 26, 1942, \$500,000.

Mr. CASTLEDEN: I should like an explanation of this item from some member of the treasury board.

Mr. ILSLEY: This is for certain statutory increases. Normally statutory increases are given to permanent civil servants, but by this order in council they were discontinued in regard to those receiving salaries of more than \$3,000. Those who receive salaries of less than \$3,000 are to get their statutory increases as usual, and this is to provide the money for the increases.

Mr. CASTLEDEN: I notice in almost all the departments a considerable item for the cost-of-living bonus. I thought that would take care of these cases.

Mr. ILSLEY: No, that is different.

Mr. NOSEWORTHY: What is the ceiling at which the government ceases to pay the cost-of-living bonus?

Mr. ILSLEY: \$2,100.

Item agreed to.

Office of the coal administrator.

Coal subsidies and subventions.

70. Payments in connection with the movements of coal under conditions prescribed by the governor in council, \$4,500,000.

Mr. MacNICOL: I would crave the indulgence of the committee while I say a few words in reference to these subventions. This year I doubt whether half this amount will be required; and while I am quite in accord with having the money voted, I hope the portion which is not used will be put to one side for the purpose of which I am going to speak for a moment or two.

The question of subventions has been before this house for many years. I believe that in order to encourage the use of Nova Scotia coal in the two central provinces we have already spent something like \$18,000,000. I have always been in accord with that policy; I believe Ontario and Quebec should buy all the coal possible from Nova Scotia and also from the western provinces. But this year, owing [Mr. O'Neill.] to the fact that Nova Scotia cannot supply coal to either Quebec or Ontario in the amounts required, we will have to buy a great deal of our coal in the United States. The market for Canadian coal which has been built up here will be lost unless the money which is saved out of these subventions is placed to one side for use, when normal times return, in once more opening up the market in the two central provinces for coal from both east and west. I am told that while Nova Scotia supplied Quebec with 3,400,000 tons of coal last year, this year it will be able to supply Quebec with only 1,600,000 tons, and that while Ontario purchased 1,000,000 tons from Nova Scotia last year, this year it will not be able to get any. The same thing applies in western Canada. I have always been a strong advocate of Alberta coal. I use Alberta and Nova Scotia coal wherever they can be used in my own buildings. I firmly believe that the great province of Ontario should buy every possible dollar's worth of the natural products of the other provinces in order to create a better interprovincial feeling. Last year at Estevan in Saskatchewan probably a million tons of coal were produced, of which several hundred thousand tons were sent to Manitoba; I do not think any of it came to Ontario. There is no reason why some of that coal could not come to Ontario, maybe not as it comes from the mine but after it is briquetted. I hold in my hand a briquette made at Estevan. I have seen these briquettes burned. They give excellent satisfaction, and there is no reason why they cannot be transported to Ontario for use here. In a word, I hope some effort will be made by the government to see that the production of briquettes at Estevan, where now they are producing only 60,000 tons a year but where they could be producing half a million tons, is encouraged, and that some of these briquettes are brought to Ontario. Among the by-products of the briquetting are many valuable products required by Canada, such as coal tar, creosote, and so forth.

I want to take only another moment, for I should like to say a word about Alberta coal where they have perhaps some of the largest coal deposits in the world. I will speak of only one district there, because I have seen and used the coal; that is, the Drumheller coal. I have two samples of coal from Drumheller in my hand. They look the same; they look like hard coal, though they are not, and they burn like hard coal. I have used quite a number of tons of this coal; I believe one sample is from the Monarch mine and the other is from the Midland mine, though they look so much alike I could not tell them apart. Both, however, give excellent results. After the war I believe a great effort should be made to use more Alberta coal in Ontario. We cannot get it now; I am told that every extra ton of coal being produced there is required in the west for use in the large military camps that have been established there, and that a good deal of it is being shipped to British Columbia and the other western provinces. I did manage to get quite a few tons this year, but I was told that it would be difficult if not impossible to get any more. In the past the dealers have had trouble with this type of coal owing to the fact that if it is laid out in piles exposed to the sun it will crack and disintegrate. After the war some consideration should be given to a government policy with respect to Alberta coal and the way it may be handled in Ontario. I do not see why the government itself could not, under its own programme, bring down half a million tons each year, instead of the 150,000 tons more or less that were brought to Ontario last year, and have it stored in proper buildings where the coal dealers could obtain it as required. The government might undertake the construction of the necessary sheds or buildings, either under a direct government programme or by government assistance, or whatever may be required to bring about the greater use of Alberta coal in Ontario. I believe that could be done if the local dealers could obtain that coal, not in a dusty, disintegrated condition, but in the good, hard condition of these pieces I have in my hand. When it is properly housed it will stand up as well as any other coal.

This is my last word, Mr. Chairman. I hope that whatever portion of these subventions is not required this year will be placed to one side, to be used after the war to encourage the use of Nova Scotia coal in Ontario, to the extent that it can be used, and the shipment of more coal from western Canada not only to Ontario but to Manitoba and other parts of western Canada.

Mr. MacINNIS: I have a question to ask the minister. If he has not the information he may send it to me later. How much has been spent in the last four or five years in subventions to coal companies operating in British Columbia?

Mr. ILSLEY: I will send the information to the hon. member.

Mr. GILLIS: I am tempted to rise at this time because of the statement of the hon. member for Davenport. The appropriation this year for coal subventions is exactly what it was last year. His statement that Nova Scotia could not supply the market it had supplied in

Supply-Finance

previous years is not correct. Nova Scotia can supply the market. The difficulty with which they have been confronted in the past few months particularly has been one of shipping, occasioned by war conditions.

of shipping, occasioned by war conditions. There is another aspect of the question that should be considered. If the supply up the St. Lawrence river could be maintained, when a sufficient number of ships are available to take up the river the coal that can be mined, it would be necessary to increase the subventions, because prior to the outbreak of war there was no subvention on coal west of Montreal. Since the outbreak of the war all coal shipped up the St. Lawrence has been subsidized to the extent of \$1 a ton. That is because of the increase in war risk insurance. Subventions are being paid on that basis on shipped coal, whereas in the past it was only on coal going by rail west of Montreal.

The hon. member's statement that Nova Scotia cannot supply the market is not correct. I am led to believe, after discussion with the fuel control board, that they are overcoming the shipping difficulty, and if the plans they have in mind materialize, the time is not far distant when the full amount of coal formerly marketed in the Quebec and Ontario markets may be moved up in that direction.

One could make a long speech on this coal problem, but I shall not do so at this time, because I believe we have succeeded in placing this fuel problem where it belongs. The hon. member for Davenport served on the rehabilitation committee. The method of handling the fuel problem, both east and west, must be completely reorganized. The subject was before that committee on two occasions when members of the fuel control board were present. Arrangements are made to continue those discussions if and when the house meets again, and I believe that eventually the solution of the problem in connection with the coal industry of Canada will come from that committee.

I have spoken merely to point out that the suggestion that subventions should be reduced because they may not be needed is not a proper one. When the shipping problem is overcome the amount of coal normally moved from Nova Scotia to central Canada will again be moved.

Mr. MacNICOL: I should like to say one word; I cannot let that go.

Mr. COLDWELL: Last year and the year before when this matter was discussed I urged that the country adopt a national coal policy. The hon. member for Cape Breton South has just emphasized the necessity for such a policy. I have been disturbed, however, at rumours

Supply-Finance

that in all probability western coal will not move far east of Winnipeg in the coming season. I do not know how much truth there is in the rumour, but I would point out that in the face of most adverse conditions the great prejudice against western coal, which speeches like that of the hon. member for Davenport can do much to dissipate, has been partly overcome in the past few years. If a policy is adopted during the coming season of stopping the movement of western coal east of Winnipeg, Fort William or Port Arthur in quantities which have been moving, surely it would practically mean disaster for the industry in the future.

I would point out to the hon. member for Davenport that western mines could supply much more coal to the east if the miners were kept employed and some method of storing the coal were adopted so that mining could be undertaken throughout the year. I do not wish to prolong the discussion, but I should like to say that the coal mentioned by the hon. member for Davenport is not the best coal we mine in western Canada. It is a good domestic coal, but there are some very high grades of steam coal mined in the foothills of the Rocky mountains. One type of domestic coal which comes to my mind is Saunders Creek semi-hard coal, which has a British thermal unit rating of something over 12,000, as compared with 9,000 or 10,000 for the type mentioned by the hon. member.

So far as Saskatchewan coal is concerned, thirty years ago we did not believe we could utilize it at all. To-day in the local districts around the coal fields, particularly around Regina and in southern Saskatchewan, we are using that low-grade lignite very successfully through the installation of the right kind of burning equipment. So that I think we have every reason to hope that as the years go by we may promote the use of our domestic coal in Canada.

From another point of view nothing should be done to interfere with the development of our Canadian coal industry in this period of war. The more of our Nova Scotia coal we can use, the more of our Alberta coal we can use throughout this dominion, the less we must import from the United States. And at this time, when we are trying to conserve every United States dollar, the purchase of coal in the United States should be discouraged as much as possible. I would put in a plea for consideration of a national coal policy, and for the storage of coal, so that miners who at certain seasons of the year in the Alberta and maritime fields work only two [Mr. Coldwell.]

or three days a week, may spread their labour over the whole year. The building up of a supply and the keeping of the men employed should put the industry on its feet and encourage in every possible way the use of what is in fact a very good coal.

The hon. member for Davenport said that in western Canada we had one of the best supplies of coal in the world. I have seen various figures on the point, but the lowest one estimates that Alberta alone contains one-fourteenth of all the known coal in the world. I have seen the figure of one-eleventh, but I am taking the lower one. In my opinion therefore, a national coal policy for Canada is an imperative necessity.

Mr. MacNICOL: Apparently the hon. member for Cape Breton South (Mr. Gillis) was under the impression that I had advocated a reduction of the vote. I did not do that. I intimated that the amount would not be required, and recommended that what was not used should be placed to one side for future use to increase the propaganda, or facilitate whatever steps may be taken, to restore to Nova Scotia and Alberta the markets of coal in Ontario and Quebec. One of the engineers from the coal administrator's office appeared before the committee on reconstruction, and he said:

We have not the coal to bring up (to Quebec), only to the extent of 1,600,000 tons, and we should like to bring up three million tons. The allocation in the Quebec market this year is 1,600,000 tons, and that is compared with the market of 1937 of 3,400,000 tons.

I hope the hon. member does not think that I advocated cutting the subvention, because I did not.

Mr. CASTLEDEN: These subventions of \$4,500,000 are rather large. I hope that some day we may achieve the same purpose by adopting modern engineering methods in our coal mines, possibly creating power and coke and by-products from the carbonization of coal underground. This may be a little advanced for the present time, but it may come. Could the minister give us particulars of some of the larger amounts, to what firms they have been paid, and so on?

Mr. ILSLEY: This is paid to the transportation agencies.

Mr. CASTLEDEN: Could we have the names of the companies receiving anything over half a million?

Mr. SOPER: I think I can answer the hon. member for Davenport (Mr. MacNicol) and also the hon. member for Rosetown-Biggar (Mr. Coldwell) in connection with the shipment of coal from Alberta to the east. I have a letter in my office now from one of the largest shippers out there asking where that rumour came from. Apparently they have heard nothing of it, and I do not think anybody else has. I do not know where the rumour started, because at the present time they are shipping Alberta coal to Ontario. In regard to the subventions, the hon, member will see that they are paid to the railways.

Mr. ILSLEY: They may be paid through the instrumentality of the operators. I have not the names here, but it would be the names of those shipping coal into central Canada.

Mr. CASTLEDEN: I understood the Dominion Steel and Coal got a certain amount.

Mr. ILSLEY: I have not the names of the recipients.

Mr. COLDWELL: In reply to the hon. member for Lanark (Mr. Soper) I may say that it was more than a rumour. That statement was made by the fuel controller to the hon. member for York South (Mr. Noseworthy). I should not have used the word "rumour" in regard to the statement that the shipment of western coal in all probability would stop at Winnipeg beginning early in September.

Mr. SOPER: The large shipping companies out there know nothing about it.

Item agreed to.

451. Royal Canadian mint, including the Dominion of Canada assay office-further amount required, \$166,289.

Mr. ILSLEY: In the near future a new form of 5-cent piece will be minted from a different metal, the object being to save nickel. The shape also will be different; instead of being circular it will be twelvesided. Perhaps it would have been preferable to effect this change by an amendment to the Currency Act, and if there had been time we probably would have done that. This is a change rendered necessary by the shortage of nickel. It will be carried out under the provisions of the War Measures Act.

Mr. JACKMAN: Has the department considered whether this change in the shape of the five-cent piece will interfere with the telephone pay stations?

Mr. ILSLEY: That has been considered; they will not interfere with the operation of pay stations.

Item agreed to.

DEPARTMENT OF TRANSPORT

Administration of the Transport Act.

362. Board of transport commissioners for Canada—administration, maintenance and operation, \$280,060.

Mr. SOPER: It seems to me that this item should be paid by the railway companies and the steamship companies instead of by the people of Canada. The board of transport commissioners seem to work more for the railway and steamship companies than for the people. We have heard a lot about coal in the last few minutes. I shall just use that as an illustration. The rate on coal from Montreal to Smiths Falls is \$1.90 per ton, but the railways will bring coal to Smiths Falls, put it on other trains and ship it through to Toronto for \$1.50 per ton. This rate is charged because of the competition of the waterways. They will take coal to Smiths Falls, put it on a train the next morning, and haul it into Brockville for \$1.30 per ton. I maintain that the rate that should apply is the rate at which the railways can afford to move the traffic, rather than a competitive rate. We cannot all live along the St. Lawrence; some of us must live back in the country, and I do not see why we should be penalized. North Bay is practically the same distance from Montreal as Toronto, but the rate to North Bay is \$2.60 per ton as against \$1.50 per ton to Toronto. The hon. member for Peterborough West (Mr. Fraser) knows that the rate to his city is \$2.60 per ton as compared with the rate of \$1.50 per ton to the fine city of Toronto. I am using coal as an illustration, but the same variation applies all along the line.

Item agreed to.

Canals service.

375. Canals — Operation and maintenance, \$2,399,081.

Mr. NIXON: The Canadian ship canal at Sault Ste. Marie was not opened this year until eighteen days after the United States canal, and I understand that the delay caused a considerable hold-up in traffic. The first boat locked through on the American side on March 23, and the first boat entered the Canadian canal on April 9, eighteen days later. A reasonable estimate of the number of boats passing through the United States canal up to the time the Canadian canal opened on April 9 would be about six hundred. We all realize the necessity for utilizing all the shipping space that is available in these days, yet the days lost through the delay in opening the Canadian canal must represent a good many thousand tons of cargo. This condition existed not only this year but has obtained annually

Supply—Transport

for a good many years. While there is nothing we can do to regain the time that has been lost this year, I think the situation is one which should receive the close attention of the department so that plans may be laid to preyent a repetition of this situation next season.

Mr. HOWE: There are four locks at Sault Ste. Marie, three on the United States side and one on the Canadian side. By arrangement between those operating the four canals, one canal is opened considerably earlier than the other three, the purpose being to allow time to repair the other three in the spring after the ice has softened up. It has always been the practice to open one canal some two weeks earlier than the other three canals.

Item agreed to.

Canals service.

378. To provide for the carrying out of flow measurements and other expenses connected with the department's supervision and control over the hydro-electric power development of the Beauharnois Light, Heat and Power Company, Limited, \$3,000.

Mr. MacNICOL: This \$3,000 is to pay for making flow measurements in connection with the Beauharnois diversion. I should like to know why this government has to pay for making these measurements after we have given the Beauharnois company the right to take water out of the river for which they pay us nothing. I understand that they pay the Quebec government something, but nothing to us. This item includes \$500 for temporary assistance—doing what? That is a small item, but it will serve as an example. Then there is \$1,500 for travelling expenses. Surely anyone who is competent to read instruments could make these measurements without requiring \$1,500 for travelling expenses. Then there is \$500 for materials, supplies and equipment. What materials and equipment would be required beyond the equipment used annually? Anyone can measure water who knows anything about it at all. Then there is \$500 for sundries. That is a small item but what is it for?

Mr. HOWE: An agreement was made between the Beauharnois company and the federal government calling for a specified use of the water for operation, use of the control dam, and by treaty we must report to the United States how much water is diverted through the canal. The item for this purpose used to be \$5,000 a year. One of our best engineers is detailed to do this work, and he makes a trip each month to examine the situation. The item has been cut down to \$3,000. It is very necessary work. Perhaps it could be done more cheaply, but as the work is important we [Mr. Nixon.] felt that it should be done by a first-class engineer. Last year the actual expenditure on this item was less than \$1,000.

Mr. MacNICOL: This water is diverted wholly within Canadian territory. Why should we have to report to the United States?

Mr. HOWE: The lake from which the water is drawn is an international lake.

Mr. MacNICOL: Yes, the west end.

Item agreed to.

Marine service.

390. To provide subsidies for wrecking plants —Quebec and British Columbia, \$45,000.

Mr. MacNICOL: What is the government doing to improve navigation on the Mackenzie river from Great Slave lake to Aklavik—or does it do anything?

Mr. HOWE: The work there is being handled by the Department of Public Works. I happened to be acting minister there for a very short time—not long enough to know very much about it. Some deepening is going on near the head of navigation, just below the rail head. There were shallows—

Mr. MacNICOL: That is on the Athabaska. I have reference to the Mackenzie from Great Slave lake north.

Mr. HOWE: Nothing is being done there that I know of. I was thinking of the Athabaska.

Mr. MacNICOL: I know that we did something on the Athabaska. We did not do anything on the Mackenzie?

Mr. HOWE: No.

Item agreed to.

Marine service.

395. River St. Lawrence ship channel—contract dredging in the St. Lawrence river and Montreal harbour, including cost of administration—capital, \$1,989,563.

Mr. CASTLEDEN: How much of that work is done by the Montreal harbour commission and how much by the federal government?

Mr. HOWE: Of course the Montreal harbour commission is the federal government. The work carried out by the commission is removing deposits of silt in slips and general maintenance of the harbour. The actual dredging and deepening of Montreal harbour is done under this vote by the federal government.

Mr. CASTLEDEN: The deepening and the dredging of the harbour is done by the federal government as a national service?

Mr. HOWE: Yes.

Mr. COLDWELL: The care of merchant seamen comes under another appropriation?

Mr. HOWE: We put through the ordinary vote here, and we have amplified it by war votes.

Mr. COLDWELL: Has the minister the total of the amounts voted for that purpose?

Mr. MACKENZIE (Vancouver Centre): There is a special vote in my department in regard to merchant seamen, for hospital and other care. That is looked after by Pensions and National Health.

Mr. COLDWELL: Perhaps the minister will say something about it when we reach his department.

Mr. HOWE: The amount is \$712,000 all told.

Item agreed to.

Railway service.

398. Hudson Bay railway—construction and improvements—capital, \$11,000.

If the minister thinks Mr. MacNICOL: the question I am going to ask should not be answered I do not want an answer. I am informed that sidings are now being constructed on the Hudson Bay railway between the Pas and Wabowden. The Minister is no doubt very familiar with the works that are being constructed on the way to Churchill and at Churchill, for use, I believe, in connection with United States affairs. I do not want an answer if the question should not be answered, and if it should not have been asked I would like it expunged from the record. Is the dominion government paying for the laying of sidings in the yards of the Pas and elsewhere along the Hudson Bay railway, and if so, why?

Mr. HOWE: There is some little activity on the Hudson Bay railway, as my hon. friend suggests, but I know of no extension of sidings except at Churchill itself. The Canadian government is not being put to any expense in that regard.

Railway service.

400. Maritime Freight Rates Act—To hereby authorize and provide for the payment from time to time during the fiscal year 1942-43 to the Canadian National Railway Company of the difference (estimated by the Canadian National Railway Company and certified by the auditors of the said company to the Minister of Transport as and when required by the said minister) occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (upon the same basis as set out in section 9 of the said act with respect to companies therein referred to) on all traffic moved during the calendar year

1942 under the tariffs approved on the eastern lines (as referred to in section 2 of the said act) of the Canadian National Railways, \$3,350,000.

Mr. CASTLEDEN: Do not subventions take care of any part of this?

Mr. HOWE: Under the Maritime Freight Rates Act, as a result of the Duncan commission, certain subventions were ordered amounting to 20 per cent of the freight rates in certain cases. This amount is statutory, in consequence of legislation based on the findings of that commission. The amount of \$3,350,000 is the estimate to take care of payment to the Canadian National Railways for the next year. If the amount is actually greater, as it may be, the money must be paid in any event. This is really an estimate of what will be required.

Mr. CASTLEDEN: It is not marked statutory in the estimates. How much was spent last year?

Mr. HOWE: The amount spent was \$3,072,978.27.

Mr. GILLIS: In order that railway companies operating in conjunction with coal companies may qualify under the Maritime Freight Rates Act, is it not a stipulation that they should maintain a first-class carrier service on the roads? They must provide passenger service in addition to transportation of coal and so on.

Mr. HOWE: I regret I am not familiar with the situation. I do not know whether that is so or not.

Mr. GILLIS: I understood it was, and I know it is not being done.

Item agreed to.

GOVERNMENT OWNED ENTERPRISES

Special-Deficits.

Prince Edward Island car ferry and terminals. 411. Amount required to provide for the payment during the fiscal year 1942-43 to the Canadian National Railway Company (hereinafter called the National Company) upon applications approved by the Minister of Transport, made from time to time by the National Company, to the Minister of Finance and to be applied by the National Company in payment of the deficit (certified by the auditors of the National Company) in the operation of the Prince Edward Island car ferry and terminals arising in the calendar year 1942, \$400,000.

Mr. MacNICOL: This has to do with transportation to and from Prince Edward Island. The loss of the steamer *Charlottetown* has caused a great deal of inconvenience to the island. The council of Charlottetown, the board of trade and the maritime board of

Supply-Secretary of State

trade have all passed resolutions requesting that something be done as speedily as possible to provide a better service to and from the island. In 1926 the Duncan report made reference to the railway docks in Prince Edward Island, particularly Charlottetown, and recommended that they be extended further into the water so that larger ships than those which can now enter might have access to the docks in that harbour. I understood, when I was there making a survey on the island, that after the report had been published orders were given for the acquisition of necessary material, and that material was accumulated, but later on the orders to project the railway dock at Charlottetown farther into the water were not carried out. I feel strongly about that beautiful little island, as I am sure other hon. members do. It came into confederation to round out the symmetry of the whole, and I often feel that it does not get a fair deal from the other provinces. If anything can be done to expedite the pro-vision of better shipping to and from the island, either from Tormentine to Borden or from some point in Nova Scotia to Charlottetown, it should be done. I have received, as I am sure the minister has, copies from the boards of trade of resolutions asking for better transportation. They have now only a medium boat, the Prince Edward Island, which is unequal to the traffic. It is an old boat. If anything happened to it, what then? The traffic to the island would be cut off. On behalf of the island, on behalf of the boards of trade who have communicated with me-I suppose because I have been there often-I beg the minister to do what he can to expedite improvement in transportation to and from the island so that the people can move more expeditiously and traffic may be speeded up. to and from the island.

Item agreed to.

DEPARTMENT OF THE SECRETARY OF STATE

331. Bureau for Translations, \$336,419.

Mr. MacNICOL: Since Saturday last I have been endeavouring to get a copy of the French records of the senate debates of July 24, but so far I have not been able to get it. Since the senate records are so brief, and the senate sits so irregularly, there is no possible excuse for the translators not having their French translation ready within a day or two. I have not yet received the French translation of debates of the 24th. May I ask when I shall get it?

Hon. N. A. McLARTY (Secretary of State): I shall be glad to look into the matter and see that the French translation is transmitted [Mr. MacNicol.] to the hon. member. I have no immediate acquaintance with the circumstances, and I do not know why he has not received it before now.

Mr. MacINNIS: May I ask a question as to the rights or privileges of members of parliament in having matter translated by the bureau. I do not know what rights members have, but on one or two occasions I have sent letters and other material to be translated and they were good enough to do this for me. But I do not want to do that sort of thing if that is not a privilege which is accorded to members of the house.

Mr. McLARTY: I would say that that is a privilege of members of the house. The bureau of translations is there to do just such things.

Mr. MacINNIS: I am glad to hear that. The bureau was very courteous with me and did my translation very quickly.

Item agreed to.

332. Canada Temperance Act, \$1,500.

Mr. COLDWELL: We carry this small item every year. Just what does it mean? It does not enable the Secretary of State to cut down the consumption of intoxicating liquors?

Mr. McLARTY: No; but there are from time to time certain elections under the Canada Temperance Act. For instance, I think there was one in Beauce last year. This item does not allow the Secretary of State to cut down the use of intoxicating liquors, but it does allow him to pay the expenses of any election that may be demanded under the act.

Mr. CASTLEDEN: What expenditure does this involve?

Mr. McLARTY: It varies from year to year. Speaking from recollection, I think last year on account of the election in Beauce it was about \$1,400.

Item agreed to.

Patents and Copyright office.

335. Patent division, \$156,128.

Mr. MacNICOL: What number of years does a patent live? I mean patents that are not used.

Mr. McLARTY: If patents are not used they are cancellable. A compulsory licence may be issued after three years. The life of a patent generally I understand depends upon the term of the application. Speaking from

5144

recollection, I would say that seventeen years is the maximum. But if a patent is not exercised it can be cancellable at any time after three years.

Item agreed to.

Office of the Chief Electoral Officer.

35. Salaries and expenses of office, \$16,692.

Mr. CASTLEDEN: If I might refer back to item 35, I understand that some provinces when holding provincial elections do not extend the right to vote to the men in military service. Is there any regulation whereby the provinces can or cannot decide that matter?

Mr. McLARTY: Not as far as the jurisdiction of the federal government extends. The matter of qualifications for voting in provincial elections is within the purview of the provinces alone.

Item agreed to.

DEPARTMENT OF EXTERNAL AFFAIRS

37. Departmental administration, \$238,455.

Mr. COLDWELL: Some little time ago the French consulates throughout Canada were closed. There has been considerable discussion both in the public press and among people interested in international affairs, because it is said that the consuls, some of whom were not particularly favoured by the government, are in Ottawa and are still active around the legation. Could the Prime Minister tell us something as to what has been done in this regard, and make some definite statement regarding the French legation in this country? Many people feel, as I do myself, particularly since Laval has taken over the premiership of France, that, while the Prime Minister has told us on several occasions that the legation represents the French people, nevertheless it is, I think, a generally accepted principle that a legation represents a country and that a country is represented by its government. It seems very difficult indeed to divorce in the public mind the activities of Pierre Laval from those of the government of France and, therefore, from its representation in Canada.

I might tell the Prime Minister that I know there is considerable uneasiness in the country, although I believe the gentleman who heads the legation at the present time is highly regarded by most people who know him. Nevertheless he represents a government which at the best is unfriendly, and which at any time may be at war with us if certain eventualities occur. At least that is an opinion at which one would arrive after studying the situation at Alexandria and elsewhere.

Supply-External Affairs

Would the Prime Minister say something about this situation? I believe we should close the legation and send the representatives of Vichy back to France, particularly as I say because of the attitude of Laval who is now the chief minister in the French government.

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend will recall that a short time ago we had Mr. Dupuy who is our chargé d'affaires to France, come back to Canada in order that the whole situation might be reviewed fully with him. I had Mr. Dupuy meet my colleagues, and also had present our minister to the United States. We went very fully into the advantages to Canada at this time of having a representative at Vichy who could keep us informed upon certain developments there. I also had Mr. Dupuy visit Washington while he was here, with a view to exchanging information with the Secretary of State of the United States, or the under secretary, and ascertaining the American views with respect not only to Canada's continued representation in France but also the continued representation of the United States in France.

Apart from that, I have myself had intimate conversations with both the Secretary of State of the United States and the under secretary on this very matter, and while I am not in a position to disclose the reasonsmy hon. friend will not expect me to do that -I can say to him that both the United States government and our government are of the view that it would be a mistake to withdraw our chargé d'affaires from France at the present time. I have also discussed this matter with Mr. Churchill, Prime Minister of Great Britain, and I can assure my hon. friend that if it were felt by any of these countries that a risk was being run in any way to the interests of any of the three, there would be no thought for a moment of maintaining our representation there. I think perhaps that side of the question has not been thought of sufficiently. Attention has been drawn to the fact that there is representation of Vichy in Canada; but the withdrawal of the French minister from Canada would mean the withdrawal of our chargé d'affaires from France, and considering all aspects of the situation I believe our interests would be better served by preserving the present relations. There is also, of course, the broader aspect of the question, which is the desire on the part of all free peoples to encourage as much as possible the people of France, who at the moment are under the heel of the oppressor, and to give them no reason to believe that the nations which are still free

are not wholly sympathetic and anxious to do everything they can when the moment comes to relieve their position. While the severance of diplomatic relations might seem a small thing from one point of view, it would have very great significance, I believe, if the step were taken, particularly as between this country and France. There are embarrassments in the situation, but there are embarrassments in nearly every situation these days. I believe the good outweighs the possibilities of danger. As far as the minister at Ottawa is concerned, I am glad to hear my hon. friend refer to him as he does, because I can assure the hon. gentleman that not only has the minister been extremely conscientious, as far as I have been able to see, but I can say that in some difficult situations he has been very helpful.

As to the consuls, two of them are awaiting means of transportation to return to France. There are two former consuls who at the moment are at the legation, but they are taking charge only of some of the consular duties that still remain, though all the consulates have been closed; matters relating to the payment of pensions, dealing with estates, and so on. I do not think their presence here is an embarrassment to anyone.

Mr. COLDWELL: What recognition is given in Canada to the representatives of General de Gaulle? We have the legation representing Vichy. What recognition is given General de Gaulle and the free French, who are fighting with us?

Mr. MACKENZIE KING: My hon. friend will recall that recently it was decided that additional recognition should be accorded the fighting French. Moreover, the fighting French are not technically a government at the present time. In the matter of any cooperation that may be effected between ourselves and any of the forces that are fighting the enemy, we are doing everything possible. There is, however, a difference in status at the present time between the fighting French and the countries grouped under the head of the United Nations. As I have said, the question of diplomatic recognition does not arise because the fighting French are not organized as a government.

Mr. COLDWELL: The thing that puzzles a great many people in Canada is this, that the French government at Vichy is obviously hostile to our cause; that is, if we listen to Pierre Laval. On the other hand, the free French, quite apart from personalities, are fighting by our side. In Canada we have the representative of the hostile government—I am putting it the way the public view it—and

[Mr. Mackenzie King.]

apparently we give no recognition to the friendly forces who are fighting with us. It seems rather an anomalous position.

Mr. MACKENZIE KING: I would not say we give no recognition to them. We cooperate with them wherever it is possible. Certainly as far as the French government of Pierre Laval is concerned, we have no regard whatever for him. We look upon Pierre Laval as a mouthpiece of Germany, not of the French people, and that is taken into consideration notwithstanding the relations we are maintaining.

Mr. COLDWELL: Yet the representative of that government—

Mr. MACKENZIE KING: The minister is really the representative of the French people.

Mr. COLDWELL: But the minister here must act upon instructions received from the government headed by Pierre Laval.

Mr. MACKENZIE KING: Undoubtedly he does, but I question very much whether he receives any instructions which would cause him to create any embarrassment for us.

Mr. MacINNIS: I understand there is to be a meeting shortly in Washington of the pan-American economic conference. I wonder if the government of Canada has taken any further steps to become associated with the pan-American union. Both from the economic and from the political point of view I think connections and associations with the south American states, as well as with the United States, will become of increasing importance to Canada. I see no reason why, when peace is restored, trade between Canada and the countries of south America might not become of very great importance; and from the political point of view I think our association in a pan-American union is of definite importance. Has the government given any further consideration to membership in that union?

Mr. MACKENZIE KING: I am sure my hon. friend will agree with me that the first consideration is to be invited to take part, and we have not been invited upon all occasions. In fact, there have been times quite recently when we might have expected invitations but were given reasons why it would not be advisable to have an invitation extended. That position still exists to a certain extent, for reasons which I cannot explain publicly, but of which I shall be glad to tell my hon. friend in private on another occasion. During this period of war there are special reasons why the south American republics and the United States might wish to discuss certain economic and other problems without having representation present from any member of

the British commonwealth of nations. That is an aspect of the situation which I mention simply in order that my hon. friend may see that it is not simply a matter of relations between Canada and other countries on this continent.

Mr. MacINNIS: If I may ask one other question, has the representative from Canada to the Soviet Union been appointed as yet, or is the Prime Minister in a position to make any statement.

Mr. MACKENZIE KING: A day or two ago I mentioned to the leader of the opposition that as soon as parliament adjourned I hoped to have an opportunity of continuing some conversations I have had already with different persons concerning Canada's representation in the Soviet Union. I am hoping that I may be able to make an announcement very shortly; and that applies to our representation in China as well.

Mr. CASTLEDEN: Is the representative of the Soviet Union in this country at the present time?

Mr. MACKENZIE KING: I understand he is expecting to be here shortly. The soviet minister designate to Ottawa is Mr. Fyodor Gusev. Mr. Gusev is at present head of the second European department of the commissariat for foreign affairs, which deals with Russian relations with the British Commonwealth. It is stated that he is to arrive in Canada towards the end of September, but we have no direct advice on the point.

Mr. COLDWELL: I notice that the other day the Hon. Walter Nash, at Washington, had proposed that the united nations set up what he called a world war council, and with it a council for world reconstruction. Is that Mr. Nash's proposal, made by himself, or is it being considered by the governments associating in the present war? If so, what is the attitude of the Canadian government to such proposal?

Mr. MACKENZIE KING: I believe it was in London that the statement was made, was it not?

Mr. COLDWELL: Probably.

Mr. MACKENZIE KING: I cannot say whether Mr. Nash is speaking for himself or for someone else. However, I should be inclined to think he was speaking entirely for himself.

Mr. COLDWELL: The Prime Minister knows nothing about it.

Mr. MACKENZIE KING: No.

Supply-External Affairs

Mr. MAYBANK: I should like to speak upon something which is really only a detail in connection with the operations of the department. It is not the type of matter which has been before the committee up to this time. I believe the Prime Minister has a memorandum respecting this matter. I refer to the case of a young woman who worked for the department, in Canada House, for about ten years. She returned to Canada from the old country, and found herself unable to go back to the old country again. Her return was prevented either because of our own or British regulations. Being unable to return, she was forced to take temporary work, first in one department in Canada and then in another. Her second temporary position was in the same Department of External Affairs.

After eight or nine months had expired she married, expecting that she would receive around \$500 or \$600 in superannuation moneys. However, she did not and apparently cannot receive those moneys. Before the Prime Minister replies I should like to go a step further into the facts as I have them. This young woman, as I say, worked for nearly ten years and returned to Canada. Canada would not let her return to her position in the old country, for reasons not in any way connected either with her or her services. Then, finding herself in a position where she had to work at something, she sought the advice of the civil service commission, and was advised by them that if she did take temporary work she would not lose her superannuation money.

Thereupon she took temporary work, but found, after quitting that work, that she had lost her superannuation money. The temporary position was taken on the distinct understanding that those moneys would not be lost to her, but when she got married they were lost. This matter has been before the treasury board, and for once I am bound to say, that, according to my information, the treasury board acted more or less humanely. I understand their attitude was that the moneys should be paid. I am at a loss to understand how the treasury board could hold such a belief, and the money remain unpaid, because I have always understood that the treasury board is all powerful. Certainly in a negative sense it is always all-powerful, and inasmuch as its operations are nearly always negative one is surprised to find a case where it has not the power. In this instance, however, it would appear that the treasury board was favourable to the payment of the money, but some difficulties developed in respect of the legal aspects of the case.

The whole thing seems to be thoroughly unjust. The woman applied to the place where she ought to have been able to get information with respect to the civil service of this country. She was assured that she could take temporary employment, upon such and such an understanding. That was not carried out. In my submission an injustice has been done, and even though the Department of External Affairs deals with many matters of vaster importance, this is a detail in which justice is involved, and one which should not be overlooked.

Mr. MACKENZIE KING: As the hon. member has said, I am—or at least I was familiar with this case. I had it before me, and I have also the memorandum to which the hon. member has referred. This was a case in which the treasury board did grant a certain right or request. Then, as I recall the circumstances, a point was raised by the auditor general, and an opinion was asked from the Department of Justice as to whether the treasury board had power to do what it had done. I gather the opinion was unfavourable.

I feel like the hon. member does, that this is a matter of justice to an individual. I am glad he has raised it, because it will give me an opportunity to ask for a further review of the matter, in the light of what the hon. member has said. There must be some regulation with which I am not familiar which has come to the fore—as often happens when departments are reviewing these matters. I am sure there is nothing intentional on the part of any department to deprive anyone of what would appear to be a right. I should hope that another review of the case may serve to remedy any injustice.

Mr. MAYBANK: One word further. As a rule, the reason why things which ought to be done are not done is that there has not been a sufficiently strong will to do it. That is the reason for the thousands of injustices in the civil service to-day. It is that there is not a will sufficiently strong to accomplish it.

A short time ago the Prime Minister introduced a bill to take care of a situation which had developed in the civil service with respect to certain people leaving the service and entering consular posts of one sort or another. It was desired that they should not lose the money they had paid into the superannuation fund. A way was found to take care of that difficulty. As I saw it, that was a doing of justice; it was the right thing to do. I remember the hon. member for Témiscouata

[Mr. Maybank.]

rising in his place and asking: Is this retroactive? Evidently he was thinking of someone else who was not in the picture. The Prime Minister responded, yes, it is retroactive respecting So-and-so, and So-and-so. While he was not questioned, I have no doubt that, had he been questioned, I have no doubt that, had he been questioned, the answer would have been: It is the right and just thing to do, and whether it is retroactive or not it is going to be done. That certainly was the way it struck me at the time.

What I wish to say is that in my opinion if there is a strong enough will to do a thing, it will be done. That is what I would like to see in this house and on the treasury benches—a strong enough will to do what is right.

May I point this out, with regard to the case in hand, that it was finally decided that the woman was not a permanent civil servant, and that was why the money was not paid.

A marriage allowance is given to a woman civil servant when she marries, provided she is a permanent civil servant. If she has ten years of service or whatever length her service may be, if she is a permanent civil servant she gets this allowance. In this case they said, "you are a permanent civil servant; therefore you get your marriage allowance". But in regard to the superannuation money they said, "you are not a permanent civil servant; you cannot have it". It is utterly nonsensical that two such answers should be given. In one case, "you are; therefore you receive the smaller sum of money". In the other case, "you are not; therefore you do not get back the money you have paid into the fund". That is a situation which can be cleared up; it is a wrong that can be righted.

Mr. MACKENZIE KING: I do not want to appear to differ from my hon. friend because we are both interested in seeing that justice is done in this matter. He says there is not a strong enough will, but I would say that if will enters into it at all, there are probably too many strong wills which are at variance with each other over this matter. I think the case is one which falls within the category of equity rather than law. The officers in the government service have their specific duties to perform. Those of the officers of the Department of Justice are to interpret the law as it is, and those of the officers of the auditor general's department also are specific. They are each doing their respective duties as they see them, regardless of consequences. The consequences in this case would seem to indicate that there is a need somewhere for some revision. What my hon. friend said about the bill brought in the other day only bears out what I have

5148

said. In that case a certain course was remedied by legislation, and it may be necessary to amend some existing statute to have justice done here.

Mr. MAYBANK: That is just the point. If injustice is being done in a small case, then correct it by legislation if necessary. Let us be sure that equity will be achieved. If the will is strong enough, it can be done even if it must be done by legislation.

Item agreed to.

39. To provide for hospitality in connection with visitors from abroad, \$5,000.

Mr. COLDWELL: We have a large number of visitors from abroad. Probably the Prime Minister is aware of the fact that recently the Canadian branch of the parliamentary association expressed the hope that it might be possible some time soon to have a group of British members of parliament, representative of the parties in the British house, visit this country to see what is being done with regard to Canada's part in the war. Is there any other vote under which money for that kind of thing could be provided? I was one of the fortunate group which was invited to go to Great Britain in the autumn of last year. I know a similar group coming to Canada might be able to take back with them a different view of Canada, as perhaps we brought back a different view of Great Britain. In my humble opinion, apart altogether from old ties, we do need to cement the understanding, not only between the people of the British isles and ourselves, but between the people of the United States and ourselves. I should like to see members of representative bodies in the United States come to this country also.

Mr. MARTIN: Are there not groups coming from Australia and New Zealand?

Mr. COLDWELL: I should like to see cemented during the war the present understanding between English-speaking peoples and other peoples, in the hope that when the war is ended we may work together for something in the nature of world understanding and world association of peoples. I wonder if this item, which is quite small, could be supplemented by some other appropriation in the estimates which I have not been able to find.

Mr. MACKENZIE KING: This item is certainly not intended to meet the purpose to which my hon. friend has referred. As he says, it is small and, I believe is, not adequate for the purposes for which it is intended. With regard to a parliamentary party coming from Great Britain, the government would welcome most warmly any representative delegation from the United Kingdom to our country at this time. It would be all to the good to have members of the different parties in the United Kingdom visit and go through our country and see as much as they possibly can of our war effort. Should such a party come to this country, undoubtedly the government would assist in defraying the cost of the necessary hospitality.

Item agreed to.

Canada's contributions to maintenance of external organizations.

44. The expenses of the League of Nations for 1942, including secretariat, international labour organization and permanent court of international justice, \$97,500.

Mr. MacNICOL: Could the Prime Minister give the committee some indication of the purposes for which this item of \$97,500 is intended?

Mr. MACKENZIE KING: As my hon. friend knows, the League of Nations continues to function only in connection with certain of its aspects; there are some valuable services which the league has rendered in the past and which it is continuing at the present time. These include matters that have to do with social and humanitarian activities. The league is continuing, on as large a scale as the war has permitted, its customary work on international health problems, refugees, and control of the drug traffic. The branch of the permanent central opium board opened at Washington has done important and increasing work. The legal and administrative work includes registration and publication of treaties, communication of ratifications and concessions, international legal studies, mandates and slavery.

The economic, financial and transit departments under Mr. Loveday are working at Princeton university. It has continued the publication of "The World Economic Survey," "The Statistical Year Book," and "The Monthly Bulletin of Statistics." It has carried on other work connected with current economic events and tendencies. It has devoted extensive study to post-war problems, particularly those related to commercial policy, raw materials, relief and reconstruction, agriculture, and social security. It has also studied international tax problems, transit problems related to post-war relief and reconstruction, and the future possibilities of international organization. The league publications are not being distributed at the present time as they were formerly, but it has been thought advisable to continue this important work.

Mr. COLDWELL: I think I can make the same comment about this vote that I made about the last one. It is pitifully small. The amount spent in advancing world peace throughout the years has been out of all proportion to what this war is costing us at the present time. If we had only spent a tiny fraction of the money we are spending in the prosecution of this war-I do not mean Canada alone, but all the nations-in the education of the peoples for peace and in preventing the League of Nations becoming, as it did at one time, an instrument of the great powers, in helping people to have a better understanding of what the League of Nations really meant, I believe and I always have believed that this war could have been prevented. It seems to me that we should continue to keep security through a world organization. I do not know whether the League of Nations will be revived after the war, but, reverting again to our visit to Great Britain, I asked many prominent personages there what they thought about the future of the world and of There was unanimity collective security. everywhere in the belief that we must have a world organization for the administration of world justice and the enforcement of world law and order, and that meant collective security. It seems to me that for a nation the size of Canada there is no security unless there be collective security; for obviously we cannot defend ourselves except in association with others. While the vote is there and there is no opportunity of increasing it, nevertheless I believe a word should be said by those of us who are interested in the promotion of world peace when this great disaster is over for the keeping open of every avenue that will link the nations together so that our children and our children's children at least may escape this dread periodic recurrence of devastating and bloody war. I therefore support even this small vote.

Mr. FRASER (Peterborough West): I understand from the official report of the British parliamentary debates, that the following countries paid their contributions in full last year: The United Kingdom, India, Canada, Australia, South Africa and New Zealand. What portion is Canada paying this year, and are the other nations paying their proportionate contributions?

Mr. MACKENZIE KING: We are trying to meet our obligations. I do not know that I can tell my hon. friend just where we stand in relation to others; I can only say where we ourselves stand. We are meeting our obligations in full. Mr. FRASER (Peterborough West): I see that the United Kingdom paid, in gold francs, 1,558,257.86, and Canada 504,990.98, in gold francs. Argentina made a voluntary payment, and Egypt, France, Iraq and Eire paid certain sums in respect of arrears. Norway and Poland made token payments; they were not called upon to contribute in 1941.

Mr. MACKENZIE KING: Switzerland and Sweden, I understand, are paying in full.

Mr. FRASER (Peterborough West): The Netherlands also paid part of its contribution.

Mr. MARTIN: In explaining this item, the Prime Minister sought to justify it by indicating the work of the league. Quite unintentionally, I am sure, he left out the work of the international labour office, which is now carried on at McGill university. Is the item of \$97,500 intended to embrace the court of international justice? I was of the impression that that had been disbanded.

Mr. MACKENZIE KING: I am informed that there are some continuing pension charges with respect to the international court of justice which have to be met out of this vote. With regard to the international labour office, it certainly was not absent from my mind, because I was about to mention that Canada had shown her particular interest in the work of that organization and had in fact extended an invitation to the international labour office to make its headquarters at Montreal, and its headquarters have been there since the war commenced.

Item agreed to.

Pensions and other benefits—Annuity to the Hon. Philippe Roy, \$5,000.

Mr. COLDWELL: Is this a new annuity for the Hon. Philippe Roy?

Mr. MACKENZIE KING: No, that is voted by statute. The Hon. Philippe Roy was appointed to Paris years ago. At the time he gave up his office he was seventy years of age, and a pension was provided for him by this house for the remainder of his life. The amount was fixed on account of the many years of service that Mr. Roy had rendered as the first representative of Canada in the position of our commissioner in France, and later on as minister.

Mr. COLDWELL: Is there no provision under the Civil Service Superannuation Act for offices of this description?

Mr. MACKENZIE KING: No.

[Mr. Mackenzie King.]

Mr. COLDWELL: It seems to me that some provision should be made for superannuation for those who serve this country in such capacities. Persons in this position abroad have a small enough allowance upon which to carry out the duties of their office, and often they have to deplete their own private resources in connection with such duties. It is all wrong that only rich men should be able to accept offices of this kind. We should see to it that the expenses of the office are properly covered-and properly audited, may I say-and after that we should make such provison for the incumbents as we do for civil servants. No barrier should be allowed to interfere with the appointment of able men or able women to offices of this kind, regardless of the position and place they occupy in their own community. We have had enough of the old school tie type of diplomacy. We have had enough of diplomacy by well-to-do aristocrats.

Mr. MacNICOL: We have had too much of that.

Mr. COLDWELL: Yes, we have had too much of it. In a young country like Canada the diplomatic service should be open to all able young men and women entering the employ of the Department of External Affairs and rising by sheer merit, not by influence, to the higher positions in that department and to the representation of Canada in other countries. We should provide them with proper salaries and reasonable expenses and treat them as we do the civil service, so that they may enjoy the benefits of superannuation when their career as diplomats is ended.

Item agreed to.

PRIVY COUNCIL OFFICE

251. General administration, \$62,875.

Mr. JACKMAN: As the Prime Minister was not in the house when criticism was being made of the conduct of the business of the house I should like to tell him that those of us who sit in the opposition do not feel at all satisfied with the way departmental estimates are brought before the committee of supply at the very last moment. We would ask him to consider us and those we represent and have the estimates brought down earlier so that we may give them the careful consideration that they require.

Mr. MACKENZIE KING: I shall endeavour to see that that request is met next year.

Mr. GRAYDON: May I supplement what the hon. member for Rosedale has said, in which I heartily concur, by suggesting that the committees of the house be set up next session within a reasonable time after the house convenes? It is very difficult for committees sitting late in the session to do a good job.

Mr. COLDWELL: We support the statements which have just been made. We feel that this manner of passing estimates is a reflection on the house itself. Much of the work that we have been doing here in the last few days in considering various estimates should be done, if possible, in committees of the house. There is an important committee of this house which has not sat this year, the public accounts committee. I think we should have committees looking into the estimates more closely. As the Prime Minister knows, I was on a committee which investigated certain expenditures in a certain organization not unconnected with the government of Canada, and we were literally appalled at the careless manner in which the accounts were handled and at the expenses which were charged up to the organization. They were a reflection upon the organization and upon the administration generally. Certainly we do not want that to occur in connection with our own department, the House of Commons.

Mr. HAZEN: May I suggest to the Prime Minister that at the next session we set up a committee to review matters of immigration and naturalization? Last year the defence of Canada committee had power to review those two subjects but had not the time to get down to them. This year the order of reference to that committee, quite properly, did not include those two subjects. I would suggest that the matter be given consideration and a committee be set up for that purpose.

Mr. MACKENZIE KING: I shall be glad to review carefully all the remarks that have been made. I would remind hon. members that we devoted an exceptionally long period this year to the debate on the address and the discussion that followed with regard to the plebiscite. I hope that next year we shall not be having to consider any further plebiscites. If that is the case we shall doubtless get along earlier with the establishment of committees.

Item agreed to.

PENSIONS AND NATIONAL HEALTH

Direct payments to veterans and dependents. 206. European war pensions, \$38,000,000.

Mr. MacNICOL: It has always passed my comprehension why the widows of soldiers drawing less than 50 per cent have not been able to receive pensions after the decease of their husbands. Soldiers' widows associations throughout Canada have been most active. I

have received a hundred letters from ten to fifteen non-pensioned widows associations. I received one a few days ago from the minister's own city, Vancouver, from the Canadian Combat Veterans' association, enclosing a clipping from the July 7 edition of the Vancouver *Sun*. This item is very short and it is well worth reading:

At a recent meeting of the Veterans Dependents League a resolution to wire Ottawa for immediate assistance was unanimously passed, and the following telegram was sent on Monday to Prime Minister W. L. Mackenzie King:

"Veterans Dependents League, Vancouver, Mrs. E. A. Darville, president, strongly urges immediate action regarding desperate condition of non-pensioned widows of veterans of last war, most beyond age of employment, and not eligible for old-age pension. For full exposition of facts see booklet, 'A National Disgrace', by Walter H. Kirchner, M.C., D.C.M."

May I compliment the minister on his action last year in sending this matter to the pensions committee, and thank him for his kindness in arranging for me to speak before the committee on behalf of non-pensioned widows. I will not take the time to repeat what I said on that occasion, but I might refer to a small fraction of it. The facts that stand out as warranting consideration by the minister of the non-pensioned widows' case are these. In the first place, in Australia if a soldier dies his widow continues to receive the pension he received during his lifetime.

Mr. MACKENZIE (Vancouver Centre): Her portion of the joint pension.

Mr. MacNICOL: Her portion of the joint pension which her husband received during his lifetime. The United States government is now giving a pension of \$30 a month to the widows of all soldiers whose husbands were drawing a small pension or were not drawing pensions at all. I believe the departmental officials last year stated before the committee that there were 6,000 great war soldiers deceased who in their lifetime drew less than 50 per cent pension but were drawing some pension at the time of death. I believe figures were submitted to show that approximately 25 per cent of the widows had either remarried or had died, thus reducing the possible pensionable number to 4,500. I remember that further figures were submitted showing that if a means test were used to determine whether non-pensioned widows should receive pension it would be found that approximately another 25 per cent were well enough off, either through the receipt of money from their husbands' estates, or through funds derived from their own possessions, to enable [Mr. MacNicol.]

them to exist comfortably. That would further reduce the number to 3,375 who would be actually in want of a pension. If we followed the plan adopted in the United States and granted \$30 a month to non-pensioned widows entitled to pensions under these circumstances, that would mean only \$1,215,000 a year. Perhaps I should let the matter rest there. The first widows to be taken care of are those of deceased soldiers, at least to the extent that I have mentioned. I appeal to the minister to try during the recess to figure out some way whereby that small number of non-pensioned widows actually in want can be taken care of at the rate of \$30 a month, because anything less than that would not be fair to the soldier's widow. The old age pensioner gets \$20 a month, and the soldier's widow, considering the sacrifice her husband made, is perhaps worthy of a little more consideration.

Mr. GRAYDON: I support the hon. member for Davenport (Mr. MacNicol) in his very excellent appeal on behalf of a body of our citizens who I think should receive the minister's attention. I add my word of approval to what the hon. member has said, and I do so necessarily quite briefly in the closing hours of the session.

Mr. GILLIS: I do not think there is any necessity for any member of the house to elaborate on the justice of the widows' cause, on whose behalf these hon. members have spoken. The last parliamentary committee that examined into the question of pensions generally recommended that this particular group of widows be brought under the War Veterans' Allowance Act, and suggested that some relief might be afforded in that direction. Nothing has so far been done with regard to that recommendation. Where does that matter stand now?

Mr. ROSS (St. Paul's): May I add my word of support to what has been said? We must remember that all these women are getting older and there is far more necessity now to make provision for them than there was before. Something should be done.

Mr. MACKENZIE (Vancouver Centre): The hon. member for Cape Breton South (Mr. Gillis) is quite correct. Last year this question was very carefully considered by the parliamentary committee on pensions and an able plea was made by, among others, the hon. member for Davenport, on behalf of these non-pensioned widows. The recommendation of last year was that the govern-

ment would consider during the recess the advisability or possibility of giving relief under one or two headings: (1) the widows of those in receipt of war verterans' allowance; (2) to the widows of those pensioned. The widow of a pensioner with 50 per cent disability may receive a pension when he dies, but the committee felt, on the recommendation of the Canadian legion, that that should be reduced. Probably hon. members are aware that the Canadian legion at the last convention altered the whole basis of their recommendation in this matter and have asked the government to consider it on the basis of compassionate pension. The legion's suggestion is something analogous to the scheme which we passed last year in the parliamentary committee on pensions, for those who were not qualified for pension ordinarily in this war. I have asked the chairman of the Canadian pension commission to make a careful survey of the conditions. 1 can tell the hon. member that the matter has been carefully investigated.

Mr. GRAYDON: How many pensions have been granted to veterans of this present war?

Mr. MACKENZIE (Vancouver Centre): The total to March 31, 1942, was 2,130, of which 1,283 were disability.

Mr. NOSEWORTHY: Do I understand that the widows of soldiers in this war are ow receiving pensions under the clause to which the minister referred?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. NOSEWORTHY: Have any widows of veterans of the first war received pensions under that same clause?

Mr. MACKENZIE (Vancouver Centre): No, it does not apply to them. That is the point I made a few minutes ago. It was the recommendation of the Canadian legion at the recent convention, that the same principle of compassionate pension applicable to those who would not ordinarily qualify in this war be applied to non-pensioned widows of the last war.

Item agreed to.

Services to veterans and dependents. 210. Care of patients, \$3,475,397.

Mr. ESLING: Conditions for treatment are reasonably generous, but in many instances geographic conditions discriminate very markedly against certain ex-service men. Recent amendments provided that where under certain conditions a man made his way to Shaughnessy hospital in British Columbia,

Supply-Pensions and National Health

or to any military hospital, he was given treatment and the government paid his way home. He had to make his way there at his own expense. The unfortunate thing is that men living at a distance from a hospital are often unable to bear the expense of travel and have to forgo this treatment, whereas men living in Vancouver or at the coast have merely to pay a street car fare. Of course the treatment is accorded also at any hospital where the government has a salaried physician, but there are salaried physicians only in Vancouver, Kamloops and at one other point.

Mr. MACKENZIE (Vancouver Centre): Prince Rupert.

Mr. ESLING: Will the minister consider having a salaried physician in the interior of British Columbia? It takes as long to get to Kamloops from East Kootenay or the Kootenay lake district as to get to Vancouver. It is certainly a hardship and a discrimination against ex-service men living in the interior.

Let me cite one instance. A discharged soldier was ill at his home. He had to be taken by ambulance to the nearest hospital. There he incurred expense in excess of \$400. He applied for reimbursement and was simply told he should have gone to the military hospital in Vancouver. A man who has to be taken by ambulance to a hospital twenty-five miles away could hardly be expected to travel five hundred miles to Vancouver for treatment. His condition did not permit it. One would think that the payment of a departmental physician in the interior would not cost much more than the return expense of travel for soldiers who finally reach the coast from the interior.

I would also ask the minister's sympathetic consideration of a suggestion that after the war a convalescent hospital be built in the interior. There could be no more beautiful place than the Kootenay lake district. Following the last war we had a hospital there. One of the largest of the Canadian Pacific summer hotels was used as a convalescent hospital and it did excellent service, taking care of a great many men. Certainly the need of such a hospital will be in evidence toward the end of the war, and I would ask the minister to give thought to that matter at an early date.

Mr. MACKENZIE (Vancouver Centre): I appreciate very much the suggestions made by my hon. friend. As to the first point, the compassionate treatment of class 2 pensioners, that is not for their pensionable disability, I think he has made a very good case for further

accommodation. In British Columbia there are only two hospitals outside of Vancouver, that is, at Prince Rupert and Kamloops.

In regard to the second matter, the department of course has been considering that. At the present time our accommodation fortunately is more than ample for all requirements. But I shall be glad to keep the representations of my hon. friend carefully in mind.

Item agreed to.

Health branch.

219. Proprietary or patent medicines, \$16,250.

Mr. ROSS (St. Paul's): The radio committee were told that the question of advertising of proprietary and patent medicines was one for the Department of Pensions and National Health. Many of these patent medicines are advertised over the radio until people get sick of hearing of them. I think the department ought to do something about it.

Mr. MACKENZIE (Vancouver Centre): My hon. friend is quite correct; we do a certain amount of supervision and suppression in connection with these radio advertisements. Sometimes we get complaints in both directions, that we go too far and that we do not go far enough. We have suppressed certain radio addresses; we have been praised for doing so, and we have had the opposite side as well. I must say, speaking personally, that even to-day I hear certain broadcasts on the radio in regard to health which are entirely obnoxious, to my mind, to say the least.

Mr. ROSS (St. Paul's): I have received a good many complaints in this connection. I am glad the minister feels this way about it, and I hope more will be done to eliminate this annoyance.

Mr. COLDWELL: Has the minister given any consideration to some of the obviously false representations made in the advertising of the soap companies, advertising health soaps over the air? Does the minister's department ever look into those matters, to see how well founded the claims may be?

Mr. MACKENZIE (Vancouver Centre): I am afraid that is a matter which does not come under the Food and Drugs Act, but it is, I believe, something very well worth looking into.

Mr. MARTIN: No one would want to eat any soap.

Mr. COLDWELL: No, and neither do they want to live with it all the time.

Mr. MACKENZIE (Vancouver Centre): It does not come under my department, but I [Mr. Ian Mackenzie.] shall be glad to follow it up, because I agree with the hon. member.

Item agreed to.

Health branch.

222. Immigration medical inspection, \$81,495.

Mr. MacNICOL: May I ask why this is not under the immigration branch?

Mr. MACKENZIE (Vancouver Centre): For years we have carried on the work of medical examination for the immigration branch.

Mr. GRAYDON: But why would the amount be the same as last year? There cannot be very many people coming in now who require to be examined?

Mr. MACKENZIE (Vancouver Centre): No, but as a matter of fact I believe the work has increased, though there are fewer immigrants coming in. The shipping traffic is so much heavier that the work really has increased as compared with a year ago.

Item agreed to.

Health branch.

223. Child and maternal hygiene, \$48,225.

Mr. NOSEWORTHY: The details of this item are given at page 160 of the estimates, and I notice an increase of \$25,000 in the amount devoted to publicity and advertising. What is proposed to be done in that connection?

Mr. MACKENZIE (Vancouver Centre): The \$25,000 is entirely for the book "The Canadian Mother and Child" in English and French. As a matter of fact, we have found that the requests for the publications already available are more than the department can supply. At the present time there are several requests to have the number greatly increased, and I think that will be done in the very near future.

Mr. COLDWELL: I believe the pamphlet published by the department with regard to mother and child was received throughout the dominion with a good deal of appreciation. It was a splendid work. I sent out a number of these pamphlets, particularly to young people, some of whom I had taught and who had young children, and I received a number of letters thanking me, saying how much they appreciated the pamphlets and how useful they found them. In my opinion this is an appropriation which ought to be largely expanded. The maternal death rate, as well as the death rate among children, is far too high in certain parts of this country; and while in some places the incidence of death

among mothers and children has been reduced considerably, still we have a long way to go in some parts of the country to reach even a respectable level. I should like to see the grant very greatly increased; indeed I look forward to the day when maternal and child welfare will be one of the principal cares of this dominion. Naturally in war time we appreciate more the value of healthy human beings; and when we think that some 44 per cent of our young men were turned down for medical reasons when they volunteered for service in the armed forces, we realize that there must be something wrong with the nutrition and care of our children. I do not want to say very much about that matter this afternoon, but I think I have said enough to indicate that as far as this group are concerned we would be pleased to support the minister and the government in enlarging the field of endeavour in this regard, and would support almost any appropriation the government might set aside for this very important work of maternal and child hygiene.

Mr. GRAYDON: If I may say just a word on that point, the group represented by the hon. member for Rosetown-Biggar is not alone in its desire to see this part of our national life well looked after. I should like to add a word in support of what he has said, and I would ask the minister if he could give the committee any information on how our infant mortality now stands as compared with the figures for the years that have gone before.

Mr. MACKENZIE (Vancouver Centre): I certainly appreciate the support I have received in regard to this question. As a matter of fact, I tried to have this vote increased more than a year ago, but this year I was successful in getting an increase. The figures are as follows. According to the report of the British ministry of health for the fiscal year ended March 31, 1940, maternal and child death rates for that year in Great Britain were at the rate of 2.61 per thousand total live births. The infant mortality rate in 1940 was 56 per thousand live births. In the city of Ottawa maternal mortality for 1941 was at the rate of 1.71 for residents and 2.91 including non-residents hospitalized in the city. Infant mortality for residents was at the rate of 47.6, as compared with 45.2 in 1940. There was a slight increase there. In the United States the infant mortality for 1940 was 3.5 per thousand live births, or three-fifths of the 1936 rate, and the same figure applied in Canada in 1941. In other words, in 1941 we were at their level for 1940, though I have not the figures for the United States for 1941. The infant mortality rate

Supply-Pensions and National Health

in the United States in 1940 was 47 perthousand live births, which was a slight increase over the previous year, while 1941 shows a continuing trend upward. The general mortality from all causes was 10.5, which was slightly lower than in 1939. In Canada the infant mortality rate in 1940 was 56 perthousand live births, while the maternal mortality rate for the same year was 3.9 per thousand live births. Therefore the situation is definitely improving in Canada.

Mr. COLDWELL: The minister gave the figures for Ottawa. Has he the figures for Halifax or Montreal?

Mr. MACKENZIE (Vancouver Centre): I have not those figures here. I think Ottawa has the best record, as far as I can remember.

Mr. COLDWELL: And in the other two. cities-

Mr. MACKENZIE (Vancouver Centre): The rate would be much higher.

Mr. COLDWELL: Has the minister the figures for New Zealand?

Mr. MACKENZIE (Vancouver Centre): I gave them last year, but I am afraid they were then two years old. I have some figures here which may be interesting to the committee:

Maternal mortality in Canada and certain other countries

(Rate per 1,000 live 1	births)	
Country	1938	1939.
New Zealand	4.1	3.6
Norway	3.0(2)	
Netherlands	$2 \cdot 6 (2)$	
Australia	4.7	4.1
Switzerland	$4 \cdot 2$	3.5
Sweden	3.1(3)	
Iceland	(4)	(4)
England and Wales	3.1	
United States	4.4	4.0
South Africa (white)	3.7	
British Isles	3.5(2)	
Irish Free State	3.6	2.7
Denmark	3.1	
Germany	$4 \cdot 8 (3)$	
France	$2 \cdot 1 (3)$	
Northern Ireland	5.3	3.8
Scotland	4.9	
Canada (1)	4.2	4.2

(1) Exclusive of Yukon and the Northwest Territories.

(2) 1937 rate. (3) 1936 rate.

(4) Not available.

Item agreed to.

Health branch.

225. Treatment of sick mariners, \$338,380.

Mr. MacNICOL: Will the minister give us a description of the work carried on under this item? On page 160 I notice that provision is made for the salary of one hospital guard.

Does the department maintain a hospital? If so, to whom is the \$300,000 paid for professional and special services?

Mr. MACKENZIE (Vancouver Centre): There are six special officers stationed at a certain Canadian eastern port to look after the special traffic occasioned by war conditions.

Mr. MacNICOL: Does the department maintain a hospital?

Mr. MACKENZIE (Vancouver Centre): It is the anchorage traffic, going out to ships with men, and bringing men from ships. It is very necessary.

Mr. MacNICOL: I have no doubt it is very necessary, but I notice provision is made for one hospital guard, and I wondered if the department maintained a hospital.

Mr. MACKENZIE (Vancouver Centre): A very small one in a certain small seaport in Nova Scotia.

Mr. MacNICOL: This \$300,000 is paid to professional doctors.

Mr. MACKENZIE (Vancouver Centre): And services connected therewith.

Mr. MacNICOL: For necessary medical services.

Mr. MACKENZIE (Vancouver Centre): Yes.

Item agreed to.

Health branch.

226. Industrial hygiene, \$7,870.

Mr. GILLIS: I am disappointed to find that this appropriation is reduced by some \$3,000.

Mr. MACKENZIE (Vancouver Centre): May I inform my hon. friend that it has been more than doubled. I think it is about two and a half times what it was, but the amount is in the war appropriation measure, and not in the ordinary estimates.

Mr. GILLIS: The point I have in mind might more properly be handled by the Department of Pensions and National Health, in view of the fact that it is the function of that department to carry on investigations with respect to industrial diseases, and the causes and cures thereof. With the extension of industry in Canada there is a great need for this work. I emphasized on two occasions the desirability and necessity of expanding this work with respect to the mining industry, and particularly with regard to silicosis. I am glad to hear that this work is going forward.

Mr. MACKENZIE (Vancouver Centre): We get the appropriation from two different sources, one from the ordinary estimates and [Mr. MacNicol.] the other from the war appropriation moneys. The direction and supervision are under the Department of Pensions and National Health.

Mr. MacNICOL: Do the provinces not maintain similar divisions in their departments of health?

Mr. MACKENZIE (Vancouver Centre): Just Ontario and Quebec.

Mr. MacNICOL: I am in favour of this vote, and I am glad to see the federal government taking a hand in industrial hygiene. Along with the hon. member for Cape Breton South I have long had the same idea in mind, namely that the mines and general working conditions of miners should be thoroughly inspected from the point of view of industrial hygiene. If there is one class that deserves this service more than another, it is the man underground. I notice in the vote that there is nothing for the chief of division. What is the reason for that?

Mr. MACKENZIE (Vancouver Centre): He is on active service. That is why there is nothing marked opposite his name in the estimates.

Item agreed to.

Health branch.

227. Medical investigations, \$25,481.

Mr. McCANN: What is the work of the department under this vote? Is it for research?

Mr. MACKENZIE (Vancouver Centre): It is the examination of personnel of the civil service with regard to fitness and as regards making calculations as to the incidence of certain diseases. I believe excellent work has been carried out in that regard. The examinations conducted with reference to the civil service have been well worth the effort.

Mr. CASTLEDEN: Would it not be well to increase rather than to decrease this estimate?

Mr. MACKENZIE (Vancouver Centre): I wish we could.

Mr. CASTLEDEN: I imagine the minister would have something to say about it.

Mr. GILLIS: Not much.

Mr. MACKENZIE (Vancouver Centre): Again in this instance we have twice the amount we had last year. We get it from another source, namely the war appropriation measure. That is the difficulty in connection with assessing the contributions made to these various operations. If we look at the details in the items in the ordinary estimates, we find an indication of what is being done.

Item agreed to.

Health branch.

228. Nutrition service, \$27,507.

Mr. COLDWELL: I notice at page 162 of the estimates that the principal amount is \$12,960 for temporary assistance. I believe this is a new field of health work which has to be expanded. We know perfectly well, and I know from my former professional work, that it is not always the children coming from the depressed homes who were most badly nourished. Education is required in connection with the use of food. I would presume, of course, that a great deal of work has been done along these lines. As a matter of fact I have seen pamphlets from the department. I believe we can build up the health of our people very considerably if we undertake to do a real job in this connection. Then there is the desirability of using certain foods having a highly nutritive value which we produce in large quantities in Canada, instead of using more of the imported foods used by even the wealthy people. Sometimes those foods are not nutritive to the same degree.

I notice that this is a comparatively small item, and also a new one. I was wondering if the observation of the minister to the effect that the war appropriation measure carries further provisions could be applied to this item as well.

Mr. MACKENZIE (Vancouver Centre): My recollection is that there is proposed an additional \$5,000. There was \$10,000 last year, and there is \$27,000 this year, because the service in the department has been entirely remodelled since we met last year. We are receiving the most marvellous cooperation throughout the dominion. In my own judgment the vote is not even a fifth of what it should be, because not only in Canada but also in the United States as a result of what President Roosevelt has done, and because of what has been done in England, tremendous strides are being made in respect of nutritive service.

I had an opportunity last summer of speaking to an outstanding authority on the subject, Sir John Boyd Orr. I heard him say that we are farther ahead in respect of certain aspects of nutrition than was any other country in the world to-day. I was pleased to hear that, because sometimes we are prone to decry our own actions in Canada. In the presence of my deputy minister, Sir John Boyd Orr told me that we were ahead of the whole world in respect of certain aspects, such as the new loaf which has been developed in Canada from the new flour. He told me

that we are ahead of England and the United States by virtue of the fact that we have used the natural quality of our own Canadian wheat, whereas they are depending upon synthetic products. That is something of which we as Canadians may be proud. As a result of the service carried out by Doctor Pett and Miss Harlow, we really have done a splendid piece of work. It is gratifying to hear such a statement made about our system.

Mr. BLACKMORE: Did Sir John Boyd Orr specify particularly in what matters we were ahead?

Mr. MACKENZIE (Vancouver Centre): Mostly in respect of those two. Until some years ago we were very far behind. Of course what was said was not a compliment to me, or anything of that kind. The fact is that I am not at all satisfied, but we are going forward and we will go forward even farther, yet.

Mr. BLACKMORE: The particular aspect in respect of which we are distinctly behind is that of getting the nutritive food into the hands of those who need it. With us it is a matter of distribution. Visiting Great Britain last autumn we had a fine opportunity to see what could be done in the city of Stoke-on-Trent. We were shown through fine community kitchens, and explanations were given as to how they were feeding the children and the people generally. I believe that at a very early date, if not immediately, Canada should take steps to see to it that the children receive We milk and the other foods they need. have altogether too much poverty in this country, even in war time.

Item agreed to.

Health branch.

229. Venereal diseases, \$50,000.

Mr. CASTLEDEN: Is it considered that no increase is required in respect of this item?

Mr. MACKENZIE (Vancouver Centre): With regard to the situation generally throughout Canada I can say that there has not been any change since I presented the estimates a year ago. We are naturally confronted with certain difficulties caused by war conditions, as my hon. friend will understand, and about which I shall not particularize now. I can assure my hon. friend that the department is most vigilant in connection with cooperation with the provincial authorities. The provincial governments have been doing excellent work in this connection. As a matter of fact, for two years in succession the United States congress has asked our provincial officer in

44561-325

REVISED EDITION

British Columbia, Doctor Williams, to go to Washington to give them special lectures on the work being done in the province in connection with this particular problem. In Quebec there has been a marked revival of interest in this problem and they are taking active steps in this direction. I can safely say that at the moment the problem is not worse than it was a year ago.

Mr. COLDWELL: A large number of young men and women are being examined for the armed forces. Could the minister give us any idea as to the extent of this problem as divulged by examinations of this type? Is it bad in Canada? I am not asking for details.

Mr. MACKENZIE (Vancouver Centre): We are not definitely associated with the problem as it affects the armed forces; our acquaintance is only in connection with the cases discharged. My information is that the problem is much improved and that they are taking new steps in the armed forces with regard to certain tests taken on enlistment.

Mr. COLDWELL: Has the minister any comparison of the situation now with what it was during a comparable period of the great war?

Mr. MACKENZIE (Vancouver Centre): I am informed that it is definitely better. There have been developed in recent years new cures which effect cures in remarkably short periods of time. This treatment was not available in the great war.

Mr. McCANN: This is perhaps a question which one is reluctant to discuss at length in public; yet it is of grave importance. Following the experience of the last war, we must realize that if precautions are not taken we may have a recurrence of what happened then. This appropriation of \$50,000 is to cover the whole of Canada. I suggest to the minister that he seriously consider the reestablishment of a branch within the department to deal with venereal diseases. No matter what is the opinion of the ordinary person with respect to this particular matter, it is the consensus of opinion of the medical profession of Canada that this disease is upon the increase. This is to be expected in war time.

While this matter is a particular problem of the medical services of the Department of National Defence, because of the great number of men and women who are being thrown together in war and industrial employment it becomes a definite civil problem. During the last war we had to spend as much as \$200,000 a year on this work. There should be a campaign of education, a campaign of enlightenment, a campaign to further the cooperation between the dominion department

[Mr. Ian Mackenzie.]

of health and the departments of health of the different provinces. Such a campaign would save the country a considerable amount of money in the long run. There are certain precautions which could well be taken and to which I understand serious consideration is being given by the Department of National Defence. I refer particularly to the blood tests which are given all who enter the armed services.

The person who contracts a venereal disease is a potential inmate of one of our mental institutions in the next ten or twenty years. I am sorry to say that in Canada we have 50,000 people in mental institutions, and of this number 15,000 or 16,000 are in Ontario. It is not fair to say that all these people are in these institutions because of some specific type of infection of this kind, but a great number are there for that reason. While such people will not become the immediate care of the federal government, they will become the care of the provincial governments in the years to come.

Mr. MacNICOL: Did I understand the hon. member to say that of the 50,000, only 15,000 were in Ontario?

Mr. McCANN: Fifteen or sixteen thousand. I am not going to elaborate on this particular problem; I just wanted to bring it to the attention of the minister. I know it has been brought to his attention and I know he is doing something about it. But I want the Canadian people to know that this problem, about which many of them are much disturbed, is receiving the attention of the department of health.

May I revert to the appropriation which was under discussion just a minute ago, the one having to do with nutrition. I want to commend the minister for the action he and his department have taken in that regard. The officer in charge of this work, Doctor Pett, has done splendid pioneering work. This is an important subject at any time, but it is particularly important in war time. I know of no greater saboteurs of our war effort than fatigue and malnutrition. A recent survey made in a large industrial establishment showed that only 11 per cent of the lunches brought by the industrial workers met their nutritional needs. Education and propaganda along these lines will do much to further our war effort. We must meet every enemy that we have with every sinew that is at our hand. If we can maintain the nutritional requirements of the people engaged in war industry, we shall be contributing a great deal to their efficiency. While it may not be the particular duty of the Department of Pensions and National Health to follow along this line, it is within their province to bring the matter to the attention of our industrial workers and the Department of National Defence and to offer all the assistance and cooperation they can give.

Item agreed to.

Miscellaneous grants.

233. Health league of Canada, \$5,000.

Mr. CASTLEDEN: This league has been doing some very good work in the educational field. It is largely dependent upon the grants made by provinces and other charitable institutions. Its work is treated as being something in the nature of charity.

Mr. MARTIN: Is there not a campaign on now in a number of cities to obtain money?

Mr. CASTLEDEN: That is just opened. This work is far too important to have to depend upon grants from the government, from different cities and from individuals. I understand that this league has been doing a great deal of social service work in connection with conditions around military camps and industrial centres. Every dollar we spend to-day by way of prevention is worth a hundred dollars three years hence. I submit that in recognition of what this health league of Canada is doing, the grant should be restored to what it was a few years ago. Five thousand dollars is altogether too small an amount to cover the important work being done.

Mr. ROSS (St. Paul's): The health league of Canada have been instrumental in initiating work in connection with maternal hygiene, nutritional service and venereal disease. They have done very good work as I know. They are being helped out by the provinces to a certain extent. I notice that the province of Quebec has just given them a grant. One feature which I should point out is that by reason of the increased taxes imposed by the budget it is going to be very much more difficult for private individuals to contribute large amounts, and it would be a great pity if this organization were compelled to stop their work for lack of funds.

Mr. MACKENZIE (Vancouver Centre): I agree with what my hon. friend says with regard to the value of the work carried on by the health league. The situation in regard to grants is as follows: In 1919-20 we granted \$5,000, then \$10,000 for the next two years, \$15,000 in 1922-23 and 1923-24, \$12,500 in 1924-25; then \$20,000 in 1928-29, 1929-30 and 1930-31. In 1931-32 up to 1934-35 there were no grants, and in 1935-36 the grant was \$5,000, 44561-3253 Supply-Pensions and National Health

at which it remained until 1938-39. Then in 1939-40 it went up to \$10,000. Some of that was I believe, by way of a supplementary grant of \$5,000. Then for the last two years it has been \$5,000. I have not been successful in obtaining any more, but I do appreciate the excellent work this organization is doing.

Mr. BLACKMORE: How much did the minister ask for this year?

Mr. MACKENZIE (Vancouver Centre): I am afraid that would be giving away a cabinet secret, but I can tell my hon. friend that the receipt of the organization last year amounted altogether to \$53,471.23, of which they expended \$45,536.44. They have carried on an excellent campaign throughout Canadaespecially with regard to the pasteurization of milk, and this year they will carry on a campaign with regard to venereal disease.

Mr. BLACKMORE: We are safe in assuming that the minister received far less than he sought?

Mr. MACKENZIE (Vancouver Centre): I think that is true of any minister of the crown.

Mr. BLACKMORE: I wish to register a protest against the restriction that is placed on the amount of money granted to these services. We are following a penny-wise and pound-foolish policy in Canada, and very serious are going to be the results we reap from that policy.

Mr. CASTLEDEN: Our grants per capita are only twenty per cent of the grants to similar services in the United States.

Item agreed to.

Mr. MacNICOL: Before you call the next item, Mr. Chairman, at this stage last year I asked the minister if he intended to restore the vote that had appeared in previous years for the Canadian Dental association, and I suggested to him at that time that he at least might consider its restoration. May I ask what he has decided in the matter?

Mr. MACKENZIE (Vancouver Centre): I can assure my hon. friend that I was a very persistent but unsuccessful applicant on behalf of the vote he mentions.

Mr. MacNICOL: Better luck next year.

Pensions and other benefits.

242. Pensions payable to men on activeservice, Northwest rebellion, 1885, and general pensions, \$18,000.

Mr. CASTLEDEN: How much of this grant was used last year?

Mr. MACKENZIE (Vancouver Centre): Last year, \$17,593.34.

Mr. CASTLEDEN: How many pensioners does that cover?

Mr. MACKENZIE (Vancouver Centre): It covers thirty-one disability, and six dependent, a total of thirty-seven.

Mr. CASTLEDEN: Is any similar pension being paid to veterans of the Boer war?

Mr. MACKENZIE (Vancouver Centre): Their pensions, I am informed, are paid by the British Ministry of Pensions and not by the Canadian Ministry of Pensions.

Item agreed to.

Pensions branch.

476. Pensions branch administration-further amount required, \$123,371.

Mr. GILLIS: I was looking for an item covering A.R.P. work.

Mr. MACKENZIE (Vancouver Centre): That was covered by the war appropriation measure which we discussed before the Easter recess. The hon. member for Vancouver East (Mr. MacInnis) had asked me if I would make a statement with regard to it, and on that occasion I made a lengthy statement, and we discussed the matter for half a day before the Easter recess. There is no money here for A.R.P. That is purely war expenditure.

Mr. GILLIS: I should like one point clarified. I understand that there are legal entanglements tying up the question of whose is the responsibility for air raid precautions work. The minister will remember that I have corresponded with him on the question of the camouflage of a tank at New Waterford. After going to the department of pensions I was referred to the provincial government, and the provincial government said that they had no authority to take action in the matter, and that I should see National Defence. National Defence in that area made a pronouncement upon it, but the fact is that those who have made a decision in the matter do not know exactly what it is all about. I have received a long joint resolution from those in charge of A.R.P. work. There is a large water tank at New Waterford, and it stands 600 feet high. It is only 300 yards from the Atlantic ocean, and being painted with aluminum paint it can be seen 100 miles out at sea when all that section is blacked out. The attitude taken by those who say, "we cannot do anything about it", is that this is simply a matter of a water tank; but the real danger is that this tank, shining with aluminum paint and being visible 100 miles out to sea, would be a pilot-light to the enemy which might result in the destruction of the entire town. It is such a small matter to repaint the tank, and if it is not done the whole island of Cape Breton is in jeopardy. As it is, the tank stands out as a good aiming post.

Mr. MACKENZIE (Vancouver Centre): If I may be permitted, the question of camouflage is definitely not within the purview of the minister responsible for A.R.P., but I can assure the hon. member that this matter has been very carefully discussed by the war committee in the last few weeks, and certain steps have been taken which I do not feel at liberty to discuss in the house. The jurisdiction is divided between the Department of Munitions and Supply, with reference to certain plants, and the Department of National Defence, with reference to certain areas. I shall be very glad to inform my hon. friend privately as to what has been done and what is being done.

Mr. GILLIS: Thank you.

Mr. MacINNIS: I think most members of parliament have received numerous letters from organizations representing widows of veterans of the last war. I have had at least twenty-five or thirty letters during the session. I would ask the minister if it is likely that consideration will be given to giving a pension to these women.

Mr. MACKENZIE (Vancouver Centre): I answered that earlier this afternoon, but I will repeat briefly what I said. Last year the pensions committee of this house made two alternative recommendations. The first was to grant pensions to widows of those pensioned in the great war regardless of the amount of their disability-the widows of pensioners of 50 per cent disability are automatically pensioned subject to certain con-ditions. The other alternative was to continue pensions to the widows of recipients of war veterans' allowance. Upon consideration we felt that it would be injurious to the essential principle of both acts to effect any redress in the direction indicated at that time. If my hon, friend will look at the resolution passed by the Canadian legion in Winnipeg about three weeks ago he will find that they have suggested an alternative remedy which is to apply to the non-pensioned widows the principle of compassionate pensions, as the committee proposed last year as applied to those not otherwise eligible in the present war. That matter is being considered. What the decision will be, I am not in a position to state at the present moment.

Item agreed to.

[Mr. Castleden.]

Pensions branch.

477. Canadian pension commission—administration expenses—further amount required, \$36,444.

Mr. GILLIS: With regard to the laying down of regulations respecting soldiers in this war, where does the responsibility rest—with the Department of Finance or with the department of pensions? I have had some correspondence with those operating charitable homes across the country who try to find homes for unfortunate children, by way of adoption. Under the present regulations a child adopted by a man now serving in the forces is not eligible for dependent's allowance if the adoption was after enlistment. I have discussed the matter with the department of pensions on previous occasions; I have gone to the Department of National Defence and they have set out a long list of requirements which indicate that the matter would have to go to the privy council. The woman would have to prove that she was incapable of bearing children, and so on. I have one specific case in mind; I will send the letter to the minister.

Mr. MACKENZIE (Vancouver Centre): We have no jurisdiction in that case.

Mr. GILLIS: I think the minister's department should. Children will be important to Canada in future years. These homes that are run on a charitable basis have been able to find places for children, but owing to this particular regulation their work is practically stopped. I have been trying to get it started again, but I have had very little success. National Defence has complete jurisdiction in the matter.

Mr. MACKENZIE (Vancouver Centre): As regards the two points raised by the hon. member, I have not the slightest jurisdiction. Our functions begin the moment after the man is discharged. The sole and undisturbed jurisdiction rests with the Canadian pension commission and every case on discharge by reason of medical unfitness is automatically referred to the commission. The Canadian pension commission decides whether they are eligible or not.

Mr. CASTLEDEN: I know of one man who was injured at Petawawa camp and later discharged, and there is no record in his medical history that his disability was directly the result of the night operations in which he was engaged at the time. I have found it difficult to understand how, by reference to the medical records that are kept, the pension commission can possibly decide whether or not a man's disability was attributable to service. In this case there is evidence

that the man, who belonged to the anti-tank battalion, was out on night manœuvres and that he jumped out of a truck in the dark and suffered a hernia and an injured back. It was recommended that he be given a truss, but he could not get it for six months. He was discharged in March, 1942, but the injury took place in July, 1941. The report from the pension commission states that the man's injury was not attributable directly or indirectly to service. Has anything been done by the department of pensions, in conjunction with the Department of National Defence, to see that proper records are kept with regard to injuries?

Mr. MACKENZIE (Vancouver Centre): The matter of records is of course one for the service in which the man is engaged. In this case, or in any other like it, even if there is no written record or evidence, if he can obtain the evidence of those who were serving with him, his comrades, or other observers of the accident, it would go very far towards establishing his case. If the hon, member will refer the matter to me I will see that it is investigated. He does not necessarily have to have a written record or written evidence. He can produce his comrades who saw him slip and get injured.

Mr. CASTLEDEN: What opportunity has he of offering such evidence?

Mr. MACKENZIE (Vancouver Centre): At the second hearing.

Mr. CASTLEDEN: He was discharged from the army, his allowance was cut off, and he is unable to support himself. What seemed to me to be wrong was that such a thing could occur. There should be a closer check on these injuries.

Mr. MACKENZIE (Vancouver Centre): I have no jurisdiction in that regard, but he could get the evidence of some of his comrades or other eye witnesses and it might assist him.

Mr. CASTLEDEN: Will he have an opportunity of bringing these people here?

Mr. MACKENZIE (Vancouver Centre): Certainly, or he can obtain written certificates or any evidence he can get. There is a very humanitarian spirit at work in every possible case, and where we can help we will.

Mr. CASTLEDEN: I appreciate that attitude, but what would happen if this man were overseas?

Mr. MACKENZIE (Vancouver Centre); He would have to get affidavits or statutory declarations.

Mr. MARTIN: I have in mind a similar case. I suggest that this situation be corrected at once. Suppose the man's friends disappeared; later on he would find it difficult to establish his case.

Item agreed to.

Health branch.

480. Health branch administration—further amount required, \$12,398.

Mr. MacNICOL: I am thinking of something which I am sure the minister has in mind too, and that is how we can take care of cripples and generally incapacitated people, those who are disfigured and thereby rendered largely unemployable. They cannot possibly obtain any position. I know quite a number of such people and I am sure that the minister and every hon. member does, but now they cannot get pension until they reach the age of seventy. I have one case in mind. From a child this man has been incapacitated from the hips down, and has to be helped around in a hand-wagon by his brothers and sisters. He is nearly sixty years of age. This applies to persons of all ages, but I am referring particularly to those who are getting up in years. This man is wholly crippled. Is there no pension relief for such people?

Mr. MACKENZIE (Vancouver Centre): I do not think there is under federal jurisdiction, but perhaps there is some form of assistance under the provincial authorities. As regards returned soldiers, we are responsible.

Mr. MacNICOL: These are civilians. I would appeal to the minister to consider this matter seriously between now and next session. I wish he would give some thought to the problem of cripples and deformed and incapacitated men and women.

Item agreed to.

DEPARTMENT OF LABOUR

100. Departmental administration, \$166,231.

Mr. GILLIS: In view of the fact that the house is about to adjourn and it may be five or six months before we meet again, I believe that someone should say something about a department of government that I consider the most important department, in view of our war situation. I think the Minister of Labour has graver responsibilities than any other minister, and perhaps has one of the most difficult jobs. He is largely responsible for the organization and administration not only of the national selective service machinery, but to a large extent the

[Mr. Ian Mackenzie.]

price control regulations, the freezing of wages, by virtue of his chairmanship of the national labour board.

As a worker I consider that there are many things being done now with respect to labour that are creating much grief for those responsible for the administration of that department. The minister is probably doing the best he can with the machinery at his disposal. I know through contact with the officers and through correspondence that his men are very capable and hard working. The few remarks I am about to make are not for the purpose of condemning or seeking to find fault, but to express my opinion as to necessary changes in the machinery in order to give those charged with administration a better opportunity to do the job they are trying to do.

First I wish to call the minister's attention to the new order in council P.C. 5963, passed on July 14, which replaces order in council P.C. 8253, which replaced order in council P.C. 7440. It keeps you guessing to know where you are, these things are changed so often. We are in a mess of paper up to our knees, no one having much understanding of what is necessary to keep in touch with the regulations.

What is causing most of the trouble is the policy of freezing wages. In the first place it is not necessary. Secondly, I do not think it can be done successfully and at the same time maintain maximum production. This order in council usurps practically every power that the legitimate trade unions of the country should have. It is lengthy; it definitely fixes the cost-of-living bonus. As I said a few nights ago, a large percentage of the workers of Canada, particularly those engaged in non-essential industries, have suffered a reduction in the standard of living to the extent of 15.2 per cent over and above what any other classification of workers in Canada has suffered. This order in council in its general terms solidifies that condition. Under this order I do not think it is possible for those who did not come under the original arrangement of October 1941 to have any adjustment of that grievance. Moreover, under this order in council, if any infraction is committed by employer or employee, the initiation of action rests with the aggrieved person. If this order in council is to be operative the government should accept the responsibility of prosecuting and imposing the penalties prescribed upon those committing infractions. This provision on page 9, clause 3 of the section on offences and penalties, definitely sets out that in the case

of violation on the part of the employer, either the union—and there are far too few of them in the country—or the individual himself, would have to take the initiative in prosecuting the employer if he was the offending party. It abrogates any trade union agreement that may be in operation. Further than that, it definitely goes into the provinces where certain arrangements or certain basic laws are laid down with respect to rates. In the last clause, No. 64, it is stated:

This order shall supersede any inconsistent provisions of any dominion or provincial law, order or regulation, but nothing in this order shall deny to employees cost-of-living bonuses or other benefits to which they were entitled on November 15, 1941.

National defence contracts, for example, contain a provision that the wages applicable in the different sections of the province shall be based on prevailing rates paid in the province. You will find in one section, where there is a strongly organized union, carpenters, for example, paid ninty cents an hour on national defence contracts, while in another section a hundred miles away, where there is no established union, rates as low as fifty-two cents are paid.

As I see this order in council it can mean that the only arrangement recognized is the cost-of-living bonus as set out in it. I have not had time to read it completely, but I have picked the clauses that are objectionable to me as a trade union member who always had the right to bargain with the employer on the basis of the employee's ability to earn.

Before there can be maximum production in Canada, before there can be full cooperation of the workers of this country, you will have to recognize that you must make obligatory on the employers of this country the recognition of trade unions. Thousands of men in industry, hundreds of men in the unions, are tied up and not doing the job they should be doing because they are wholly occupied 365 days a year in trying to brush away or break through the maze of red tape. They are quarrelling with governments and government regulations. Whereas if you had a legitimate trade union movement across this country, affiliated with the national organizations having offices in Ottawa, it would make for efficient action. It would further national leadership from coast to coast. It would eliminate the necessity of workers coming from Vancouver and western Canada in delegations away from their regular employment for the purpose of holding conferences with the national war labour board. In the final analysis the war labour board is not in a

Supply-Labour

position to legislate for the industries across the country because it is not in contact with them. The majority of the workers across the country are not organized. Plant councils are being set up, but the men have no proper arrangements for collective bargaining; they are not able to make presentation of their case. Seventy-five per cent of the trouble is due to confusion, lack of leadership and trying to cut the red tape that now exists in the matter of wages.

The arguments that I have heard advanced in the house against increased wages, so far as I have been able to follow them—I make no pretence of being a financial expert or understanding the mysteries of high finance—are to the effect that increased wages mean inflation. I do not think increased wages mean any such thing. Anyone who uses that argument practically admits an inability to control prices, because there is no relation between an increase in the purchasing power of the people and prices getting away from you. If you can control prices you can control them regardless of the amount of money in circulation.

I am very critical of the government's policy with respect to the formation of legitimate trade unions. I am not blaming the minister for this; I know he is a member of the legitimate movement and has been for some years. But I think at times he must find himself in a very unhappy position in having to administer a policy under which the government themselves, in their own established industries, are not giving a lead to the other employers. In Research Enterprises, for example, the right of collective bargaining is denied. This is a government owned and controlled organization. I have here a decision rendered on December 13 last, to this effect:

As the company is a wholly owned and operated government undertaking, I am of the opinion that your minister would not have authority, under the said orders in council, to direct an industrial disputes inquiry commission to deal with the complaint outlined in your letter.

That is a decision rendered by the Department of Justice to the Department of Labour, though not since the appointment of the present Minister of Justice. If that is the attitude taken by the government, the minister must find himself in a very unhappy position, with the government of the country operating an industry and refusing the employees of that industry the very thing the government have advocated in order in council 2685, in which they laid down the principle of collective bargaining. I do not understand how that can be done.

Supply-Labour

I should like to refer to a specific case. based on a letter I received from a man who was employed in a plant in Edmonton, where they endeavoured to form a production committee. I am not going to read the letter, which is quite long, but the man who was most active and cooperative in the formation of that committee found himself out on the street a month or two later, all because he had endeavoured to carry out the instructions of the government, as laid down by order in council, in regard to the cooperation of management and employee. This employer definitely was opposed to any kind of cooperation, and that was the reward this man received for a great deal of work for the good of the country. To-day he is on the street. It is a very good illustration of the attitude taken by the employers in regard to any efforts to coordinate work in the plants. I do not think that can be done by plant councils or production committees. In my opinion the answer is the legitimate labour movement, responsible leadership, uniformity of wage rates across the country in the emergency we are facing-

Mr. MITCHELL: Was this man discharged for union activity?

Mr. GILLIS: No, there is no organization in the plant. He was working in connection with a plant committee on production.

Mr. MITCHELL: He was not a trade unionist?

Mr. GILLIS: No. As I was saying, the answer to the problem is in the recognition of the legitimate labour movement.

A few moments ago I said I did not think the freezing of wages was an answer to our problem. To-day right across the country you find a wave of absenteeism. According to several press dispatches I have recently seen, there is a serious shortage of coal in the west because of absenteeism in the mining industry of Alberta. I think that situation prevails in every other industry right across the country.

Mr. MARTIN: What do you mean by "absenteeism"?

Mr. GILLIS: Men absent from work, not working as steadily as they should. We must face facts, whether we like them or not, and I believe this situation exists largely because of the fact that the incentive to work has been taken away. I think we must recognize that. Taxation is high and wage rates have been frozen at a level which was never adequate to maintain a decent standard of living. All the workers hear is "more production", with very little in it for them, and [Mr. Gillis.]

they are only human. If this freezing of wages were eliminated it would be a good thing, if you had a trade union movement functioning across the country, doing business with the employers on the basis of collective bargaining, with greater production in industry and larger earnings to labour. Then there would be a greater incentive to work, and the unions could bargain with the employers for a share in the profits of that increased production. Certainly labour is not getting it to-day; there is complete frustration in many sections I have visited. The working man is working much harder, but he is much worse off than he was before the outbreak of war. He does not understand the world problem as well as it is understood by many hon. members here, who have the benefit of listening day by day to men who really have a grasp of the situation. The working men only understand that they have no economic security. They have a job to-day; they may not have it to-morrow. If after working in industry for fifteen or twenty years a man is laid off, there is no pension for him; there is no security, and for that reason there is unrest. There is the same wage rate day after day, during this whole process of fighting the war, and there is no encouragement. There is a lack of morale there, which should be built up.

A short time ago I said that I was not a monetary and financial expert, but I have done some reading on this matter of freezing wages, and I do not believe that step is necessary in order to avoid inflation. I should like to leave a few thoughts with the minister. They are not my own; they are notes taken from the writings of various people, but I should like to place on record what I consider to be the problem and the solution in regard to the freezing of wages and its relation to inflation in connection with our present war economy. This has been written by very eminent labour people in Britain, over a period of time. The problem the minister must face in connection with the matter of freezing wages is that war-time economy demands the curtailment of the production of desirable consumer goods to a bare maximum. We all realize that, and understand its necessity. The general increase in nominal income creates more bidders for the diminished quantity of goods, tends to raise prices and increase living cost. That is true. The vicious spiral of inflation sets in, with wages always lagging. That is also true. The popular way of dealing with this situation is to freeze wages and attempt to peg prices. Though wages may be frozen, nowhere in the world has it been possible satisfactorily to peg prices. "Good

Supply-Labour

reasons" have always appeared for the raising of commodity prices, while collective bargaining is being destroyed by frozen wage levels, and real wages keep falling.

That is the problem, and I think that is a statement of fact so far as Canada is concerned. No one can tell me that prices have been successfully pegged in Canada. Officially there has been an increase of approximately 16 per cent since the outbreak of war; that is on the basis of a superficial examination of prices across Canada, taken in certain cities, and striking an average. It is not a true picture. I am safe in saying that many hon. members of this house could go back to the towns in which they live and find that since the outbreak of war prices have risen by 30 per cent; and in many towns and cities you will find a dozen different prices for the same article. So I say that prices have not been successfully pegged, nor do I think it possible to do so. When questioned some time ago, before the adoption of the price freezing regulations, the Minister of Finance stated that it would require a policeman in every store in order to make the thing work successfully.

Now I come to the solution, which is not my solution but that of people who have studied the problem. Reduce the spendable incomes so that their total is equal to the total value of goods available for consumption at current prices; spendable income to be controlled by spending money coupons issued according to need and not according to total income of the individual. That is rationing. If commodities are scarce, all should share and share alike in the sacrifice involved in doing without that which is not available. If goods of which there are shortages are rationed, coupons are issued regardless of whether one is a millionaire or an ordinary wage earner, on a proper rationing basis. Under that system one is entitled only to his share. He cannot have any more; therefore he cannot spend any more. There would have to be some price control in connection with it, no doubt. But in my opinion rationing is the only way in which inflation could be avoided. There would be no incentive for anyone to spend more than he is allowed, if the government decreed that he is allowed only a certain amount. The freezing of wages does not enter into the picture, nor does the amount of money available to spend, if you cannot spend it. It does not enter into the picture of inflation, either.

The results of rationing would be these:

1. Spending money coupons adjusted to the available supply of goods would automatically stabilize prices, with some price control.

REVISED EDITION

2. All workers are immediately put on equal terms with higher income sections of community with respect to purchase of necessities.

3. No need for wages stabilization, since wage increases would not increase spending power and could not, therefore, have inflationary effect.

The important consequence of this would be visible at once. Trade unions would still be free to pursue the normal methods of collective bargaining in order to obtain adjustments in the relative income of workers compared with owners and managers, and also in the relative incomes of different groups of workers. Since the increases would automatically go into savings, except in so far as a portion might be spent on recreation, the trade unionist would be bargaining for an increased share of the national debt, or, to put it another way, an increased share in post-war consumption. In this way, two of the main problems facing trade unionists to-day would be partly solved. They would be able to find a way of increasing the working class share in the national income, and of continuing the historical process of working-class advance even in war time, without in any way hampering the war effort by diverting labour and materials away from war production to current consumption. And they would also be building up some measure of security against the danger of a repetition of the decline in working-class standards which followed the last war.

Mr. MARTIN: What is the hon. member quoting from?

Mr. GILLIS: Labour discussion notes as put out by the British Labour party. Of course this is my own material, taken from notes I have accumulated over a period of time. I have made my own analysis, and have reached my own conclusions.

I believe the statement with respect to the freezing of wages is clear, plain and simple. The main trouble with us to-day in discussing any problem is that we are too academic. We kid ourselves into the belief that there is a lot of mystery in it when in fact there is no such thing. The whole matter is set out here very clearly, and the solution could not be made clearer. The only thing that stops us from putting these measures into operation is that while we may preach democracy, we deny it to the very people who need it most. Eighty-five per cent of the workers in industry to-day are doing a job, while someone waves a flag in their faces to remind them of the war; and at the same time they are denied the very right to have their day in court with their employer. We may

44561-326

have democracy in the courts of our country. You have your day in court, but we deny those who work and who produce for us the right to have their day in court, to sit around the table and to discuss differences in wages, and all matters pertaining to their future and their industry. Just so long as we do that we are going to have the reaction we have seen from those employed in industry. Most of the trouble and unrest, as I said a moment ago, arises from misunderstanding. Until the government is prepared to call in the union leaders from all across this country, sit in with them and give to the workers of this country the democracy we have talked about so much, just so long shall we have a conbinuation of that misunderstanding.

There are thousands and thousands of capable men and hundreds of capable union organizers who have the problem at their finger tips. There are the two national set-ups in Canada, namely, the congress of labour and the trades union congress, of which Mr. Tom Moore is the head. They would give leadership; they would be prepared to coordinate the work and take all the mystery out of the regulations. They would iron out the problems with the national war labour board. Instead of having workers running in from one end of the country to the other in an endeavour to have the national war labour board understand their problems, it could be worked out in the manner I have suggested.

I see a lot of grief ahead if the order in council put into operation is administered literally, as I read and understand it. I think the arrangement the Department of Labour has with the building industry is the set-up which should be applied to national conditions. In that instance they have regularly recognized representatives of the building industry in a legitimate organization, and they sit in with the minister and other representatives of the government to decide on certain regulations with respect to working conditions and wages for the duration of the war. This is a proper procedure, and exactly what should be done in every section of Canada where the workers are organized. Where they are not organized the government should endeavour to implement the principle set out under order in council P.C. 2685.

I have no desire to continue the discussion at greater length. I wished to make these observations for the benefit of the Minister of Labour. We in this group are prepared to cooperate with him in any way in which we can be helpful. We shall be leaving Ottawa shortly, and it is not likely that we shall be back for some time. I am going back to a section of the country where there is a solidly

organized movement. I am going back to people who are badly frustrated, but people who are prepared to do everything they can in the winning of the war. They have demon-strated that. They resent the fact that for thirty years they sat around conference tables with their employers; they have signed agreements and arbitrated their difficulties, but they find themselves to-day in a position where their union has been rendered impotent. They no longer have the right to bargain collectively with their employers. They must come to Ottawa and deal with the national war labour board. The national war labour board is hinged round with red tape and regulations, and is not in a position to make an analysis of the problems confronting the people in that end of the country. They see the democracy they have been working for for years taken away from them. These organizations were set up to give power to those people to voice their needs, their hopes and aspirations. I should hope the minister would accept the few remarks I have made as sincerely as I have made them. My suggestion is the answer to many of the problems with which the minister is faced. I know he wishes to do something about it, but I also know he is tied by regulations and by a machine, and that he must find it very hard to work.

Mr. MacINNIS: Mr. Chairman, like the hon. member for Cape Breton South (Mr. Gillis) I have no desire to delay the work of the committee and the adjournment of the house. As I have said already this morning, I must protest against the short time given to the committee to discuss the welfare of at least 3,500,000 people who are concerned with production in this country. It is not going to be helpful, when we go back to our homes and are asked why we did not take up this or why we did not take up that, to say that we had not an opportunity to do so. There are a number of things that I wish to say, but I shall be as brief as I can. In my opinion it is not so much what is done by the labour department as the way in which it is done.

What has been wrong with governmentlabour-industrial relations in Canada since the war began is that labour has not been taken into the confidence of the government and has not been made a partner in the war effort with the employers and with the government. In June, 1940, the government passed order in council, P.C. 2685, in which they approved the principle of collective bargaining. I want to tell the Minister of Labour (Mr. Mitchell) that no employer of labour in Canada has dishonoured that order in council more effectively and more deliberately than the

[Mr. Gillis.]

government itself. They have taken advantage of labour's lack of understanding of the constitution and laws of this country. When they approach the Department of Munitions and Supply that department says that they have a ruling from the Department of Justice that they could not enter into an agreement with the unions. I am not learned in the law, but I am satisfied there is no law which prevents the Department of Munitions and Supply from entering into agreements with trade unions, and I doubt very much if the Department of Justice ever gave any such ruling. If the Department of Justice did so, it was doing something which it knew was wrong.

About this time last year, shortly after the house adjourned I received a letter from the head of an important trade union. He stated that his union had received bargaining rights in the industry in which they were concerned through an election in the plant held under Department of Labour auspices. After a conciliation board had made an award they were told by the Minister of Labour that the controller in that industry could not enter into an agreement with the union.

Mr. HOMUTH: What date was that?

Mr. MacINNIS: July, 1941. I have not the letter before me, but I placed part of it on the record last year. Here is what the Minister of Labour said:

I believe that you will understand that Mr. Brunning, as controller, could not negotiate with the union as a union, or sign an agreement with a union, but the regulations which are agreed upon between all parties should form fair and reasonable conditions under which the work of the plant should be carried on.

Mr. HOMOUTH: By whom was that signed?

Mr. MacINNIS: That was signed by the former minister of labour, the present Secretary of State (Mr. McLarty): I drew that to the attention of the former minister of labour, I think it was last November. I quoted the section in order in council P.C. 2685 and I then asked the minister how his reply could be harmonized with the principle laid down in that order in council. This is his reply:

My hon. friend, however, brings up a question which has given me a considerable measure of worry, and one that I intend to ask the national war labour board to consider at the earliest possible moment when it starts its activities. I think my hon. friend and the committee know pretty well the situation in Great Britain; no union in government departments is recognized that is in affiliation with any outside union. In the United States the situation is a little different. They do recognize in some instances, and some only, unions that are affiliated with outside unions.

44561-3263

Supply-Labour

I do not know where the former Minister of Labour got his information in regard tothe situation in Great Britain, but I know that he was incorrectly informed. I wrote to the general secretary of the trades union congress, Sir Walter Citrine, quoting the statement of the former Minister of Labour. I had a reply from Sir Walter Citrine under date of April 24, 1942. Just a few days ago the Minister of Labour was asked how many government controlled industries in Canada had agreements with organized labour, and he gave his answer in one word, "None." I quote from Sir Walter Citrine's letter as follows:

Thank you for your letter of the 19th of March, which I received yesterday, in which you raise questions as to the extent of recognition afforded the British trade unions by the government and government-controlled industries. In the first instance I would like toclear up the point which was made by your Minister of Labour to the effect that "thesituation in Great Britain is that no union ingovernment departments is recognized that is in affiliation with any outside union". This statement apparently refers to the operation of the 1927 trade union and trade disputes act which prohibits established civil servants from belonging to any trade union except those which confine their membership to persons employed permanently in an established capacity by or under the crown; and also prohibits such civil service trade unions from affiliating to organizations which include non-civil servants. That act, however, does not prohibit employees of either government factories or governmentcontrolled establishments, i.e., royal ordnance factories, etc., from becoming members of their appropriate trade union, and these employeesare, in fact, enrolled in such unions as the amalgamated engineering union, the transport and general workers' union, the national union of general and municipal workers, and a score or so of others, all of whom are affiliated to the trades union congress.

It is perfectly true that we do not enter intotrade union agreements concerning wages and conditions direct with the minister of labour as that ministry holds no responsibility for government factories. But trade unions doconduct negotiations with the ministry of supply, and the admiralty, for example, who are themselves employers of labour responsible for the management of factories, dockyards, and workshops. Most industries here it will be appreciated are privately owned, and wages negotiations are primarily a matter for regulation between the employers and the trade unions concerned.

The right of the trades union congress and its affiliated unions to represent the viewpoint of the workers on all matters affecting their conditions was established with the government in the early days of the war, when the then Prime Minister, Mr. Neville Chamberlain, instructed his departmental officers to consult the trades union congress and its affiliated organizations on all matters affecting their interests. That policy was reaffirmed by Mr. Winston Churchill and has been constantly adhered to, and has been reflected in the many consultative committees which have been set up by the government on which are representatives of the employers and the trade unions, the nomination of such representatives being the sole purview of the organizations concerned.

Mr. MACKENZIE KING: If my hon. friend will allow me to interrupt him for a moment, it has been suggested that the dinner recess be until seven o'clock instead of eight, and if the house is agreeable to that I will make the motion with the Speaker in the chair.

Item stands.

Progress reported.

BUSINESS OF THE HOUSE

MOTION FOR INTERMISSION FROM SIX TO SEVEN O'CLOCK P.M. THIS DAY

Mr. MACKENZIE KING moved:

That the intermission at six o'clock this day continue until seven o'clock instead of eight o'clock.

Motion agreed to.

SUPPLY

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

At six o'clock the committee took recess.

After Recess

The committee resumed at seven o'clock.

DEPARTMENT OF LABOUR

100. Departmental administration, \$166,231.

Mr. MacINNIS: When the committee rose at six o'clock I had been reading from a letter addressed to me by the general secretary of the Trades Union Congress of Great Britain which showed quite clearly that in the United Kingdom there is no question about government-controlled industries and government industries recognizing the trades unions and having agreements with them. I said that in my opinion certain labour organizations were hoodwinked by supposed decisions made by the Department of Justice on labour matters. I have here copies of two letters, one from R. H. Neilson, secretary of the national war labour board addressed to T. F. Stevenson, business secretary of the Canadian electrical trades union, and another signed by F. P. Varcoe, deputy minister of justice. I will read these two letters to sustain the point I am making. In his letter dated April 22, 1942, Mr. Neilson says:

Last December when we wrote you in response to your inquiry of the 12th of that month, it was the belief that semi-independent [Mr. MacInnis.] agencies of municipalities would be outside the scope of P.C. 8253 under clause 12 (1) (ii), and your understanding on this point is in accordance with the information which you were given at that time. Subsequently, however, the Department of Justice ruled that the word "agency" applied only to agencies of provincial governments, and this decision threw certain municipal bodies under the jurisdiction of the order.

Interpretative rule No. 1 of bulletin No. 2 was written then in conformity with this new interpretation of the legal branch of the government.

Mr. Stevenson then wrote to the Minister of Justice, and his letter was replied to by the deputy minister of justice. This is what the deputy minister said:

Your letter of April 27 to the Minister of Justice has been handed to me. The function of this department is confined to advising the government in matters of law and it is not my duty nor would it be proper for me to advise a private individual on such matters. I regret, therefore, that I cannot advise you upon the matter which you have referred to the Minister of Justice.

The letter was as to whether employees and workers in industries or utilities owned by municipalities and provinces came under the provisions of P.C. 8253. The deputy minister of justice continues:

I may say, however, that while some discussions have taken place between the members of the national war labour board and members of this department, no opinions have been given by this department on the matters mentioned in your letter.

Mr. MITCHELL: What is the date of that letter?

Mr. MacINNIS: The date of the first letter is April 22, 1942-Mr. Neilson's letter to Mr. Stevenson-and the date of Mr. Varcoe's letter is May 7, 1942. I submit that the function of the Department of Labour is not to try to hoodwink organized labour but to try to help organized labour so that it may be in a position to help the government and the country. I have said as much privately to some of the people who have to do with the administration of labour. Not only are trade unions recognized in government-controlled and government-owned industries in Great Britain, but they insist through their boards of arbitration and conciliation and review boards or courts, or whatever they are called, that the traditional and customary relations between workers in trade unions, and the employers, shall be carried out.

I hold in my hand the decision of a court not a court of law, but a court set up under the labour laws in the United Kingdom—in a case where there was a stoppage of work because

a member of the staff had been dismissed. It shows the difference between the attitude in Great Britain and that in Canada.

According to the court's findings, the cause of the woman worker's dismissal was her union activity. Although the other women refused to return to their jobs without their dismissed companion, if some promise of inquiry or negotiations had been made they would have returned immediately. Without union recognition it "is difficult to see how the girls could show their sympathy with the dismissed girl without some form of demonstration". The fundamental cause of the dispute was held to be the stubborn refusal of the management to deal with the union. The court regretted this and stated it was bound to lead to a dispute—

That is, the management's conduct was bound to lead to a dispute.

--which might end in a work stoppage . . . as had in fact occurred. Therefore the almost uniform practice and well-tried method of recognizing and negotiating with the union was recommended for this company. Without collective bargaining other troubles would no doubt arise.

If we met our problems in that way we would have far less difficulty than we have had up to now, although I am amazed at how little difficulty we have had.

Let me say again that what I am concerned with is not so much the regulations made but the attitude of the department, the attitude of the government, to organized labour. After all, certain things are necessary; we cannot carry on to-day as we would in peace time; the issues at stake are too vital and labour is too greatly concerned in those issues. One of the difficulties in dealing with organized labour here, as far as there are difficulties, is that dealing with labour organizations has not become a tradition here as it has in the old land. Consequently the employer is inexperienced in dealing with labour and labour is inexperienced in dealing with the employer. The only way in which that can be remedied is, not by refusing to recognize labour organizations, but by recognizing them.

I have before me the text of an address made by the deputy minister of labour to the convention of the Canadian Manufacturers' association last year and published in the Labour Gazette of July, 1941. I should like to read two short paragraphs from it. The deputy minister said he had not had time to prepare this address; nevertheless I think the address is a very fine one, although there are a few thoughts in it to which I take strong exception. He has put the case of labour fairly and shows, if labour is impatient, the cause of its impatience. He stated the matter most clearly, and if his hearers would keep in mind what he said we should get over much of our difficulties and have much better labour relations. He said:

All I am pleading for is this, that on the management side of business there should be a sense of the labour problem, and that one executive should be assigned the duty of labour management, with a programme to be worked out. That is all very well, you may say to me, but it depends on the finances of the business. That is true. The prosperity of our whole economy depends on our resources. But the history of democracy is one long record of concession after concession. The freedoms that we talk about are those that the few had and have given up by one process or another, sometimes through strife and sometimes through evolution, to become the freedoms of the mass. Whatever democracy may hold for labour in the future, I hope to see it come by the process to fevolution and not through class struggle and strife. The fulfilment of that hope, it seems to me, requires conscious planning and the assignment by business of the job of labour management to competent people.

I agree wholeheartedly with every word of that. It is exceedingly well said. I doubt, however, if it had much effect on those to whom he was speaking. Then a little further on, under the subheading "The New Labour Movement", he continued:

Now the dam has burst, and much that should have been done in the twenties and the early thirties has been concentrated in the late thirties. So we have had social security legislation, and a resurging new labour movement, a class movement . . . that is youthful and inexperienced, that knows nothing about the last war and what inflation means, that is making all sorts of mistakes, because it has had no connection with the old labour movement, in which it could have learned many valuable lessons.

The people who constitute this new labour group are largely those who came out of school during the depression and had great. difficulty in finding jobs.

I ask hon. members to note that.

First of all, we have to understand their motives and background.

That we have failed to do.

They have a feeling that is, if anything, anti-social. Many of them have the belief that they have been denied their proper place, and now they are out to take it. We can be forceful with trade unions, and there is many a time, I can assure you, when I feel that. certain subversive elements should be whipped with scorpions.

That is what I object to, because it indicates a lack of understanding of what he said before. The reason why there is trouble in the labour movement, the reason why these people act as if in a hurry, is that they have been whipped with scorpions for ten long years. The remedy is not to continue that whipping. The cure lies, as the cure for all these things lies, in patience, kindness, toleration and understanding.

Supply-Labour

As a last word I wish to tell the Minister of Labour that in my opinion he has the greatest opportunity that any Minister of Labour in Canada ever had, if he will only grasp that opportunity with courage and firmness he has an opportunity to do something in Canada that possibly could never have been done before, but can be done now.

He has the background of the labour movement; he knows the labour movement of the old country as he knows the labour movement of this country and I should like to see him go forward. I can assure him of this, if he does not already know it, that in anything he does to improve the relationship between workers and employers, I will assist him in every way possible. I will do everything that is within my power, and I will refuse to do anything for political or any other purposes, to impede him in any way. Two years ago a man prominent in the trade union movement told me that he had been asked to accept the position of Minister of Labour. He said, "I could not take that position, because what was expected of me I could not do; that was, that I should be the apologist for the government labour policies to the organized labour movement." I suggest to the Minister of Labour that he do not undertake that job. If he does the opposite; if he comes out boldly and squarely for progressive labour industrial relations, he will have the labour movement of this country with him to the last man.

Mr. MITCHELL: There are one or two points I think I should answer though I want it understood that I am not going to be The hon. member for Vancontroversial. couver East just made a reference to my assuming the position of Minister of Labour. I want to be perfectly frank and honest with him in saying that since this war broke out, anything I have been asked to do that I thought was in the national interest, I have done; and I think he will agree that at times I have accepted some pretty tough assignments. I trust I may make that contribution which the hon. member says he hopes I will make. I do not expect to satisfy everybody. My good friend Ernie Bevin in England has not satisfied everybody. He has had some very harsh things said about him by quite prominent members of the British House of Commons, across the floor of that The same things have been said chamber. about the Minister of Labour in New Zealand; the same things are said about Madam Perkins to the south of us. This is one of those very difficult portfolios, where very few lasting reputations are earned, despite the sincerity of the individual. But when this war is over I hope it may be said that at least I made some contribution to the state, and in some degree helped to defeat the man over there in Berlin whom we want to defeat. That is the only ambition I have at the moment.

The hon. member for Cape Breton South spoke of the freezing of wages. I say to him frankly that the order was never intended to be a wage-freezing order. It is a wagestabilizing order. In taking that action I think we are in good company. Recently the President of the United States announced that possibly a similar policy would be brought into operation in that country; and also quite recently the labour Prime Minister of Australia put into force a somewhat similar policy. This tremendous undertaking had for its purpose the protection of the living standards of the people of this country, but there are bound to be mistakes in working out such a vast policy. The record shows, however, that compared with the same period during the last war the purchasing power of our dollar is 18 per cent greater than it was at that time. While my hon. friend was speaking I thought of the old age pensioners whom we were discussing this afternoon. I thought of those people with fixed incomes: soldiers, sailors, persons receiving workmen's compensation, those on mothers' allowances, and the protection they will receive if we can maintain the price stabilization policy that we have set in motion. That is all I am going to say about this point.

I was interested in the letter read by the hon. member for Vancouver East from my very good friend of many years standing, Sir Walter Citrine, general secretary of the British trade union congress, with respect to employees in government institutions. I am frank to admit that there is an anomaly there, as far as the dominion is concerned, and it is a matter which I intend to discuss with the Department of Justice after looking at the correspondence which was read this afternoon by my hon. friend.

Then the hon. member for Cape Breton South spoke about absenteeism and as he was speaking I had before me some figures which would indicate that absenteeism has been reduced tremendously in the last few months. The time lost per thousand workers in 1940 was 85 days; for the same period in 1941 it was 56 days, and it was also 56 days in 1942.

Mr. GILLIS: Has there not been a tremendous increase right across the country during the last month?

Mr. MITCHELL: I am not going to enter into a controversy.

5170

[Mr. MacInnis.]

Mr. GILLIS: That is according to the newspapers.

Mr. MITCHELL: Another matter which I think should be cleared up is the statement that the application of the wage control policy has put a damper on organized labour. Both my hon. friends know as well as I do that in some respects wages are the least important feature of an agreement, once you get those wages stabilized. I am sure the hon. member for Vancouver East will agree that seniority is far more important even than wages in the minds of many trade unionists, because it is a measure of job security. In that regard some of these agreements have dozens of clauses written into them. This policy is administered jointly by the dominant labour organizations and the dominant manufacturers' organizations, through the national and regional war labour boards, and there has been a great impetus to the growth of the trade union movement in this country. That is clearly indicated in the applications for boards of conciliation. I think that is so for the reason that now there is a central authority to which application may be made to adjust wages in conformity with government policy. That is all I intend to say on this point.

I hope I have answered the principal questions asked by my hon. friends. I should like to point out also that the government is increasingly relying upon the advice of labour and industry in the administration of the war policy, through the consultative committee which I recently set up along the lines of the consultative committee set up by Mr. Bevin in England, in the administration of the national and regional war labour boards, in the courts of referees dealing with unemployment insurance and also the advisory committees which will play an important part in the application of national selective service when that is launched. Therefore I can say that I look forward to an increase in the tempo of the cooperation between the government, the employers and the employees in those policies which, from my point of view at least, most directly affect them in the conduct of the war. I think that is about all I have to say, and I hope I have touched upon most of the points raised.

Mr. GRAYDON: I am prompted to say a word in connection with the matter of labour, because it is a subject in which I have had a very keen interest for a good many years. I should like especially to suggest to the minister that if labour is to have its proper place in the great national partnership which will bring us to a victorious conclusion of this war and usher us into a worth-while

Supply-Labour

peace, we must infuse into the government the principles of the labour movement as a whole. It seems to me we are not doing much in parliament, nor is the government doing much, to bring into government boards the two great classes in the community. I make no apology for calling agriculture and labour the two great classes. I believe I represent about an equal number of both, and I am convinced that we must bring them to a greater extent into the actual government of our land. We have witnessed the setting up by the government of board after board, and for some reason it has become almost a religion with certain people that on those boards we must have only men high up in business circles. We must get over that kind of thing, and bring into our government boards representatives from the classes I have mentioned. These boards are discharging functions in many instances equal to those discharged by the government itself. The House of Commons has to a certain degree abdicated its functions of legislation in favour of many boards which are given legislative powers. Those powers of course are subject to revision and confirmation by the House of Commons. Because of this change, this metamorphosis in our legislative system, we should have greater representation of labour on the boards being set up in Canada. If I recall aright the Minister of Labour stated, when introducing the bill to provide unemployment insurance, that some four million people would be affected by that bill. I realize of course that he did not mean that those four million would all draw unemployment insurance. That is a tremendous section of our population, and because the number is so great those people must hold a very important position in our whole national structure. Those of us who through the years have lived close to the working man know something about his loyalty to his country, his associates, and his friends. In times like these we feel impelled to add our voices in his behalf.

I was glad to note the position taken by hon. members who took part in the discussion this afternoon and this evening, and to hear them put forward what they felt was the best foot of labour. As a nation we cannot expect to have real prosperity, nor can we expect to merit a complete victory in the war and in the peace, unless we are prepared to give a reasonable position and make a proper place for those two great sections of our population which work so hard, day in and day out, toiling for the national welfare.

Supply-Labour

I have risen simply to add to what has been stated so eloquently by my friends to the left. I wish also to compliment the minister upon his observations in favour of labour. In my opinion too much cannot be said in praise of that great section of our population, one which is so worthy of everything we can do for it, and which, with agriculture, forms an important part of our national community. They must have our very best consideration and attention.

When the minister comes before the house again I would urge that he bring in his estimates, his labour policy and plans early in the session, because it seems to me that we will deal with nothing in the next session, despite what anyone may say, which is more a part and parcel of our war effort than the welfare of the labouring class. We should have an opportunity to discuss and to deliberate upon all details connected with labour problems.

I have a further suggestion which I shall not develop at length, because of the brief time at my disposal. I should like to see the minister have a little more influence in the cabinet. He may be new, but as he grows and develops in stature in his department he will grow and develop in stature in the deliberations of the cabinet. I would ask him in season and out of season to pull hard, to see to it that no quasi-legislative body is formed without proper representation from those two great classes in our community, agriculture and labour. I believe some steps have been taken in that regard in connection with agriculture, but the Minister of Labour must see to it in cabinet council that when these boards are set up that great labouring section of our population, which means so much to us and which is contributing so much, should have its legitimate and proper place, and that it has the representation to which it is so justly entitled.

Mr. BLACKMORE: It has long been my feeling and belief that labour, wisely led, is going to be one of the chief determining factors in the life of this nation in days to come. The minister is placed in a position of responsibility, where it will be his privilege to help labour to be wisely led. I assure him that in all his good endeavours with respect to the improvement of labour conditions he will have the complete and whole-hearted support of the body of people I represent in parliament.

Mr. NOSEWORTHY: I came to the house elected and largely supported by the labouring community. Since sitting in the house I have had numerous occasions to consult with the [Mr. Graydon.] Minister of Labour respecting labour problems which have been called to my attention by the organized workers. May I say that at no time have I had any difficulty in approaching him. On each occasion I have found him ready to listen sympathetically to the grievances I have placed before him.

I do not approve of many of the government's labour policies. In the past few days we have heard much about the incentive we must give the man whose capital is invested in industry. To-day we have been reminded of the four million workers in Canada. When it comes to a question of production it must be remembered that we can replace the owners of capital much more easily and readily than we can replace the four million workers upon whom in the last analysis production must depend. I sincerely hope the Minister of Labour will be able to take advantage of the opportunity to which the hon. member for Vancouver East has referred, and build up in this country under his good policies a great labour movement.

Mr. COLDWELL: Since the Minister of Labour has stated that Mr. Bevin is an old friend of his and since he is going to give consideration to Sir Walter Citrine's letter, may I recount an incident which occurred in the presence of the six members of parliament who visited Great Britain last autumn? We were having a brief conference with Mr. Bevin, and I asked if there had been any serious labour disputes since he had been Minister of Labour. He said there had been none, not only for the time he had been Minister of Labour but since the war began. I asked him how he accounted for that. He said. "In large measure I attribute it to the fact that our working force is thoroughly unionized. If anything occurs that is unfortunate and likely to lead to trouble, the twogroups, the managers and employers"-he said they had had more difficulty in organizing them than they had with the workers-"and the workers can get together and the difficulties are ironed out." He said they had had some trouble, but it was of minor importance. I said that at the moment in Canada this government took the view that in government owned or controlled industries or in the departments of the government there should be no labour organizations. I asked him what they did in Great Britain, and I think I can give Mr. Bevin's reply verbatim, because it struck me so forcibly. He said, "I will answer it in this way: I suppose our largest number of government employees in the labour field will be found in our great dockyards. They are all organized in their own national union, and I am the national secretary of that union." I

wanted to recount that incident to drive home the points made by the hon. member for Vancouver East (Mr. MacInnis).

Mr. MARTIN: The tribute paid by the (Mr. hon. member for York South Noseworthy) to the Minister of Labour (Mr. Mitchell) characterizes the discussion which has taken place with regard to the whole problem of labour and management. Other hon. members have given an indication of a similar spirit, of trying to understand this problem in a cooperative way rather than in a spirit of endless controversy. The hon. member for Peel (Mr. Graydon) has urged the Minister of Labour to exert and assert his point of view in the executive council. I do not know that there is anything wrong with that suggestion, but surely there is an obligation upon members of parliament generally to give some support to the Minister of Labour, whoever he happens to be. As long as I have been in this house this discussion has always been confined to a few members. This is one of the most important problems facing us to-day or that will face us in the future, and we have approached it all along in the spirit of one group pitted against another instead of treating it as something that should be shared by all alike.

The minister has stated, and I give him credit for his courage in doing so, that he regards the decision of the Department of Justice in respect to the organization of labour government-owned industries as being in anomalous. Most certainly it is. This government and every government since the treaty of peace have recognized the right of collective bargaining, and have urged it as a proper means of settling disputes between management and labour. Other countries have practised this technique for such a long time that it is treated as a joke when anyone suggests that a man should be marked as progressive because he advocates collective bargaining. This institution has come to stay; it is very necessary. If it should be applied to industry generally, most certainly it should be extended to those industries that are controlled or operated or owned by the government itself.

I have examined this decision of the Department of Justice, and it strikes me that the suggestion behind it is somewhat along the lines of the theory which is still observed that the crown is not to be sued because the king can do no wrong and individuals working for the state therefore should not be allowed to place themselves in a position where they can openly defy the state. That theoretical position must be abandoned. I am glad the

minister is going to try to rectify that situation. He will find precedents, not only in the United States in a partial way, not only in the United Kingdom and Sweden, but more particularly in Switzerland, where for eighty years the right of labour in a state or canton-owned institution has always been recognized.

I have just one more word to say about this problem of labour and management. Some months ago I rose in my place and supported the contention that if we were to make labour feel that it was a partner in this particular assignment of war, we should see to it that it was given adequate representation, along with agriculture and so on, on the important boards that were being set up. There has been some improvement in that regard, and I suppose the Minister of Labour deserves special commendation for that. However, there is still room for improvement. I do not believe we have gone as far as we should. In the larger communities the minister is setting up advisory boards in connection with the proposed modified system of selective service. I understand that the men appointed to these boards in the local communities will represent employee and employer groups. The only suggestion I have to make is that this representation should be extended to include agriculture. I do not know what the practice is in most communities, but in the one I have in mind at the moment agriculture is not represented.

I understand that these boards are to be merely advisory in character. If they are to sit only once a month or so we are going to run into many of the difficulties which arose in connection with the operation of the mobilization act. In that case one encountered considerable difficulty in going from one community to another, perhaps a hundred miles away, to address himself on a specific problem to some central agency. I suggest that these boards should be more than advisory, they should have some executive function so that it will not be necessary, in respect to moving a man from one plant to another or determining whether he should be moved from the plant into the army, to write to Ottawa or, as is the case in my district, to London, a smaller industrial area than the city of Windsor. I trust the minister will appreciate the importance of this problem.

I agree with the concluding remarks of the hon. member for Vancouver East (Mr. MacInnis). We should not seek to place ourselves in a bargaining position and try to hold down one group. We should courageously indicate the manner in which that group can improve its position. Having done that, having shown that we are sincere, we should urge upon that group that they recognize the fact that it also has responsibilities. In that way we will be able to deal with this particularly troublesome problem, and make our task much easier during the war and more pleasant in the days to come.

Mr. LITTLE: I will undertake not to hold up the house for longer than a few minutes but I have a few words to say to the Minister of Labour with regard to holidays with pay for men who work underground. Before the strike in Kirkland Lake one of our mines was giving holidays with pay. The mine operators had a scheme worked out before the strike for all of them to give holidays with pay for the men in that district, but the strike put an end to that for the time being. Since the strike, the mine operators have decided to give holidays with pay, but the labour board have decided against it. I think, Mr. Chairman, that all industries should give holidays with pay, and there is no class of men who need holidays with pay as much as the men who work steadily in the mines year in and year out, especially those who work underground. I think I can speak with a little experience, having lived in that mining area for forty years-not all the time in Kirkland Lake, but about thirty-one years in that district. I know how these men work, and I feel that the board should reconsider their decision and allow these men to have holidays with pay.

Mr. MITCHELL: The decision of the board was merely an interim decision until a study could be made of the whole question by the national war labour board.

Mr. McNIVEN: I think the tribute that has been paid to the Minister of Labour by the hon. member for York South (Mr. Noseworthy) is endorsed generally by the members of the house. That tribute might well have been extended to the staff of the Department of Labour; for, along with the minister, his staff is building into that department something of the vision which the Prime Minister had for the department when it was created back in the year 1908. I believe the minister has in his department to-day one of the greatest agencies for successful war enterprise.

I am going to remind him again of a statement that he made shortly after coming into office, when he accepted the principle that it was better to move industry to labour than to move labour to industry. I would remind him in that connection that Saskatchewan has in the last three and a half years lost 42,000 of its population, excluding the natural increase. I would remind him that his own department has advertised for labour in our country weeklies and in our city dailies, and has permitted great industrial enterprises so to advertise, [Mr. Martin.] with the result that our province has been largely stripped of its skilled labour and of much of many other classes of labour. Only recently an agency was in Saskatchewan seeking to recruit some 700 girls for industry. What I have in mind is that the west has been discriminated against in the establishment of war industries, and we have a right to and can confidently look to the Minister of Labour and his department for some assistance in directing war industry to the prairies and in particular to Saskatchewan, for the labour it requires.

As an illustration, the Polymer corporation recently established its plant at Sarnia, Ontario. Its raw material is oil and alcohol, but it overlooked the fact that the only supply of petroleum oil in the British empire is in western Canada, in the Turner valley, and that wheat, the raw material for alcohol, is grown in superabundance on the praries. Yet the plant of the Polymer corporation was established at Sarnia, thereby making it dependent upon outside sources of supply for its raw materials, and it has to pay the freight on the grain coming from western Canada to eastern distilleries to be manufactured into alcohol. All the western members will agree that that is not right, and that it must be changed if there is to be anything like a balanced economy in western Canada.

In western Canada we have a great pool of seasonal employment. These seasonal employees could be made available for war industry—all the artisan class, the grain farmer, and a great many others who are engaged in non-essential industries.

What we in the west are afraid of is that you are going to move that entire population down here to Ontario and Quebec and thus denude western Canada, and Saskatchewan in particular. We desire to register the most emphatic protest against the continuance of that policy, and we look to the Minister of Labour for assistance. We ask that he bring to the attention of his colleagues from day to day and from hour to hour the fact that war industries should be established in western Canada. Both the minister and Mr. Elliott M. Little have approved such a proposal. We think that Mr. Little is doing an excellent job, and that he could and would and will improve his opportunities by insisting upon a better deal for western Canada labour by the establishment of war industries there.

Mr. BENCE: I subscribe most emphatically to the plea which has just been made by the hon. member for Regina City (Mr. McNiven). Members from Saskatchewan and the plains have time and again risen in this house and pointed out the great mistake which was being made in continuing the policy of economic sectionalism that has grown up in this country. As the hon. member for Regina City has pointed out, Saskatchewan is being denuded of its labour. That labour is coming to eastern Canada and causing congestion down here; it is creating confusion, creating new problems with which this government must deal. When the war is over there will be a large number of people in eastern Canada whom eastern Canada will not be able to take care of, and I suggest that the problem arising in that connection will be more serious than most of us realize. If the administration would consider the question of increasing the little bit of work that is given to Saskatchewan-and the work is practically infinitesimal, being confined in a large degree to the bits-and-pieces programme-we would avoid a great deal of trouble after the war and obtain a far greater maximum war effort and greater efficiency in that effort. Under the provisions of the labour regulations as they stand now, in connection with the granting of contracts to a corporation or company which leases out the work or puts it out on the basis of the bitsand-pieces programme, does the Department of Labour have control over the rate of wages paid in the plants that do the bits-and-pieces work? If not, why not?

Mr. MITCHELL: Not unless it comes within the fair wages policy of the government. That applies to building contractors.

Mr. BENCE: That policy is applicable to a main contract, I understand.

Mr. MITCHELL: I am speaking of building contracts.

Mr. BENCE: With respect to a contract that is let for the manufacture of gun carriages or something like that, is there any control by the department over the rates of wages paid?

Mr. MITCHELL: I do not know whether it is in Regina or Saskatoon, but wherever it is, the regional war labour board will make the adjustment. That is where the adjustment would be dealt with.

Mrs. CASSELMAN: What the hon. member has said about Saskatchewan applies with equal force to Alberta. We have a number of natural resources that could be used in creating new industries, and to bring the industry to the province would be better in my opinion than bringing labour to industries here, especially in view of the fact that there are so few industries now in Alberta. If possible, I would urge that.

Supply-Labour

Mr. DOUGLAS (Weyburn): I support enthusiastically what has been said by the members who have spoken. I am not sure that the minister's department ought to accept responsibility; perhaps it should be the Department of Munitions and Supply. However, in view of the fact that the Minister of Labour will be faced with a problem in connection with the labour supply, and seeing also that there are in many of the smaller towns on the prairies a great many machine tools that are not being used-I saw last February a list of 277 that were not being used at all in war work-I think the government ought to be having some long-term plan not only with a view to maximum production during what may be a long war, but with a view to the period of reestablishment which will come afterwards. If the minister wants to avoid facing the problem of a tremendous number of unemployed and the consequent dislocation after the war, it is wise now to be laying some plans on the prairies to build up industries that will use up the labour that is there instead of moving that labour to eastern Canada. Although the responsibility may not be in the labour department. I hope the minister will use his influence in the cabinet to see that the claims of the prairies are kept in mind when the government is encouraging the development of war industries.

Mr. CASTLEDEN: I might mention a new departure with regard to the Department of Labour. I refer to the matter of labour shortage in the agricultural industry which faces the western plains at this time. I understand that the registration of people comes under the Department of Labour, and that department should have a fairly good picture of what there is in the way of skilled and unskilled labour. The department should know where seasonal labour can be obtained for the problem facing western agriculture. There will be a heavy crop in the west this year. With large numbers of available labour in that area having moved east to war industry or having gone into the army, there is a problem of such magnitude that the people to-day are alarmed. If the anticipated crop in the west materializes, there will be a terriffic waste unless labour can be sent there for a few weeks this fall. Has the minister any plans or suggestions to offer in order to solve that problem, which does face those people to-day.

Item agreed to.

102. Combines Investigation Act, \$46,475.

Mr. MacNICOL: Inasmuch as this item is pertinent to the Combines Investigation Act I have a question to ask the minister. The

Supply-Labour

incident I am going to bring to his attention appears to me, if all the facts are as given to me one of the worst cases of boycotting honest labour which I have come across in all my experience. I will call the gentleman concerned "R.S." The report he gave me is this. I have known him for a long time. I have known him as an expert electrical engineer and salesman of electrical equipment. I had a long experience myself as head of one of the largest sales staffs in the country, and in my judgment this gentleman has all the characteristics of a natural born salesman. He was most successful in selling electrical equipment, so much so that one company after another sought his services. In due course, according to the information given me, these various companies got together and agreed among themselves that if and when contracts were called for this or that the contract would go to this or that company and the other companies would lay off. This gentleman I have in mind was so highly respected and well-known by the purchasers, particularly the purchasers of large quantities of electrical equipment, that he invariably got orders anyway with the result that, I am told, these various manufacturers agreed among themselves that he should not be employed. I have no reason to doubt this. This man is an honest workman, and he would not have any reason to say anything that was not absolutely honest. That is a case of boycotting, because it prevents a decent, honourable, honest, worthy, intelligent workman from getting a position. He has not been able to obtain work for some time. May I ask the minister this question? If "R.S." sends him the full particulars, substantiated by affidavits, and the facts are as indicated, will he instruct the officials in the investigational branch to inquire into the same and, if they are found as stated, to take the necessary action?

Mr. MITCHELL: If the facts are as stated by my hon. friend and they are submitted to me, it does seem that what he has said would justify at least a preliminary investigation, and I shall be glad to take the matter into consideration.

Item agreed to.

105. Labour Gazette and other publications authorized by Labour Department Act, \$58,296.

Mr. CASTLEDEN: A paper comes to my box occasionally which is very cleverly written and very laudatory of the government, but so reactionary that I have tried to find out who are the sponsors. Has the department anything to do with that publication? It is called the *Labour Review*.

[Mr. MacNicol.]

Mr. MITCHELL: No. I will tell my hon. friend afterwards who publishes it. The hon. member for Vancouver East could tell him.

Mr. COLDWELL: It is anything but labour. Item agreed to.

103. Fair wages and conciliation, \$123,441.

Mr. GILLIS: Is there a fair wage officer in Nova Scotia?

Mr. MITCHELL: We have a very able conciliation officer at Fredericton, Mr. Pettigrove. He is there because it is the most strategic position between the two provinces. We have under consideration placing another man in that field.

Mr. GILLIS: For years Nova Scotia was the only province that did not have a fair wage officer.

Item agreed to.

106. Unemployment Insurance Act, 1940 — administration, \$5,000,000.

Mr. MacINNIS: It has been drawn to my attention that insurance officers are disallowing claims for reasons that are not authorized under the act. The conditions under which insurance officers can disallow claims are restricted. They can disallow claims because contributions have not been paid in respect to the applicant; because the applicant's claim is not made in the prescribed manner, or on proof that he was unemployed on each day on which he claims to have been unemployed. There is one other condition-that he has not attended a training school. But it has been brought to my attention that these insurance officers disallow claims for reasons which are specifically excluded, that is, that the third statutory condition is not fulfilled, the condition that he is capable of work but unable to obtain suitable employment. This being new legislation I suggest that it is necessary that it should be so operated as to command the confidence of workers everywhere. If we start out in this wrong way we are going to create antagonism to the act which will cause difficulties later on.

Mr. MITCHELL: While these insurance officers have not the power to disallow a claim, what they do is to say to the claimant that they do not think he is entitled to benefit. But do not forget that the man always has the right to resort to the referees. They go a step further; they even say: This is the way you should argue your case when you go before the referee. That is my understanding. I discussed it quite recently with my officials.

Mr. MacINNIS: They should refer the claim to the court of referees if it does not come under the conditions for which the officer can disallow.

Mr. MITCHELL: That is the way it is done. I shall be glad to write my hon. friend and tell him the facts.

Mr. NOSEWORTHY: I also have been told that workers are advised by these insurance officers that there would be no point in referring the matter to the referee, that if the case came before the referee it would be disallowed.

Mr. MITCHELL: I will write the hon. member the same letter.

Mr. GILLIS: There is a general and wellfounded complaint on that matter, that local officers are usurping the board's authority. Referee boards are set up to avoid discrimination, but the tendency seems to be in the direction of their elimination. That is a general complaint in eastern Canada.

Another matter I wish to bring up is in regard to unemployment insurance deduction made at the source from men who are paid on a daily or weekly basis. There is a complaint, from certain sections of the miners' organizations at least, that they pay unemployment insurance weekly through the whole year; then at the end of the year, when their total earnings are computed, it is found that they have received \$2,000, so that they do not come under the act. But they cannot get any refund of the contributions they made over the entire fifty-two weeks. If they are transferred to another industry they have not a card, regardless of the fact that they have paid unemployment insurance for the whole year. I have written the minister on this, and his answer was that they had had the benefit of the insurance for a year; that had they been unemployed during the year they would come under the act. But the point they make is that at the end of the year if they transfer to another industry they are not in the insurable group.

Another protest I get pretty regularly is that the total load of building up the unemployment insurance fund and maintaining it falls on the back of those in the lower income groups, those earning under \$2,000 a year. They are bearing the burden—of course the government contributes—of building up the fund to take care of unemployment after the war. They contend that that burden should not be placed on that income group alone. They feel that regardless of how high the salary goes, all should be compelled to make their contribution, and if unemployed later

Supply-Labour

should benefit under the act. Railway workers particularly have another complaint, that in their classification they will never benefit. It may be a selfish point of view; nevertheless it is a complaint from that group. They say that they are continuously employed; they have their superannuation schemes, and there is no question of unemployment in that industry. When they are through working they receive their pension for which they have contributed. They are contributing to the pool without any expectation of ever getting any benefit from it. They suggest that in order that there may be some incentive for railway workers to contribute, a health insurance scheme might be injected into the unemployment insurance plan in order to give them some benefit for the contributions they make.

Mr. ROSS (St. Paul's): I do not agree with the principle of exempting certain industries from contribution to unemployment insurance. Every worker in the country should contribute. You never know who is going to be unemployed; the richest man in the world may be unemployed some day. Take certain industries where there is a very low labour turn-over. The one I have in mind, with which I am connected, is the insurance business. Our labour turn-over is practically nil; yet our employees have to contribute to the unemployment insurance scheme. On the other hand, you find that in such institutions as hospitals, where the turnover is no greater than ours, the employees do not have to contribute. The principle of the whole thing is an insurance principle, just as I said this afternoon in connection with old age pensions, when I suggested that we should have a contributory old age pension system. We should also have some sort of health insurance for the people of this country. If we do that, we are working on sound principles, but in this case we are excluding some employees and including others, perhaps in industries where the labour turn-over is very small. Yet those employees have to contribute for the benefit of employees in industries where the labour turn-over is high. I think that is right, but everyone in the country should contribute to unemployment insurance, I do not care who he is. I think that is the right principle.

Item agreed to.

108. Advances to workers, \$50,000.

Mr. MacNICOL: A few days ago I had a letter from a young woman in northern Ontario, who stated that she had been offered a position in the Bata shoe factory at Frank-

Supply Bill

ford, Ontario. In her letter she said that she had no money with which to fit herself out, or to pay her railway fare. Will the minister say whether under this vote funds would be advanced in a case like this and, if so, to whom this young woman should apply?

Mr. MITCHELL: I think if she applied to the employment office, arrangements would be made to provide transportation.

Mr. MacNICOL: The office in Toronto or North Bay?

Mr. MITCHELL: Where does she reside?

Mr. MacNICOL: In northern Ontario.

Mr. MITCHELL: There would be an office not far away.

Item agreed to.

Special.

Youth training programme.

109. To provide for undischarged commitments under agreements with the provinces, \$47,985.

Mr. ROSS (St. Paul's): I should like to pay a tribute to Mr. Thompson for the work he has done in connection with youth training in this country. Then I should like to remind the minister that for years the members from Toronto have been trying to get a little money from the government of Canada for our technical school, in the work it is doing there. The former Minister of Labour promised us that we would get some money for equipment. The city of Toronto has been paying the cost of all this work, and they have done a wonderful job. I should like to pay tribute also to the trades and labour congress of the city of Toronto for all they have done in trying to get this money from the government. They certainly have recognized the fact that a boy should have a trade of some kind. As I say, we were promised this money to help to defray the cost, but we never received it; the government said they could not establish a precedent by putting up a building for us. That is all very well, but in view of the work that has been done in Toronto in our vocational and technical schools, I think we should be given some help. What we have done has been copied all over this country in trying to provide opportunities for boys to learn trades. I think the government should see if they cannot raise a little money for us next year, as they are doing for the universities to-day.

Item agreed to.

Resolutions reported, read the second time and concurred in.

[Mr. MacNicol.]

SUPPLY—CONCURRENCE

Hon. J. L. ILSLEY (Minister of Finance) moved:

That the resolutions reported from committee of supply on June 9, July 24, 25, 29, 30 and 31, less amounts voted in interim supply, be now received, read a second time and concurred in.

Motion agreed to.

WAYS AND MEANS

SUPPLY BILL

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee of ways and means.

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

Mr. ILSLEY moved:

Resolved, that towards making good the supply granted to his majesty on account of certain expenses of the public service for the year ending March 31, 1943, the sums of \$153,861,377.80 and \$28,159,700 respectively be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolutions reported, read the second time and concurred in. Mr. Ilsley thereupon moved for leave to introduce Bill No. 126, for granting to his majesty certain sums of money for the public service of the financial year ending the 31st March, 1943.

Motion agreed to, bill read the first and second times, and the house went into committee thereon, Mr. McCann in the chair.

Sections 1 and 2 agreed to.

On section 3—Supplementary estimates, \$28,159,700 granted for 1942-43.

Mr. STIRLING: May I ask whether the \$250,000 by which an item under national war services was reduced has been deducted from the total?

Mr. ILSLEY: Perhaps the hon. gentleman would give me some idea of what the item was.

Mr. STIRLING: It was item 200, for the Canadian travel bureau. It was reduced from \$500,000 to \$250,000.

Mr. ILSLEY: At the bottom of page 11, schedule A of the bill, I find an asterisk opposite the \$500,000, and a footnote indicating a deduction of \$250,000.

Mr. STIRLING: I just wished to make sure that it had been noted.

Mr. ROSS (St. Paul's): Would it not be possible next session to bring down the war appropriation bill and the estimates in the same fashion as the estimates are now Sir:

brought down? Could the appropriation bill and the estimates not be brought down together, so that they could be discussed in

the early part of the session, piece by piece? Some hon. members have felt that they have not had an opportunity, except at the end of the session, to discuss certain things. That criticism could very well be avoided. Not only that, but I believe we would avoid a tremendous amount of repetition if the estimates and the war appropriation expenditures were placed together in some kind of book form, so that they could be handled in an orderly way?

Mr. ILSLEY: Consideration will be given to improving the method of presenting the war appropriation bill. I do not know what change can be made, but I agree that the present method is not very satisfactory.

Mr. ROSS (St. Paul's): Not only do the nerves of members of parliament get frayed toward the end of the session, but they become annoyed at so much repetition. In addition to that, they are taken away from their ridings for long months, when work in their ridings is required. I suggest to the Prime Minister that the session might be broken up, possibly into three parts. For instance, we might have the speech from the throne and the debate thereon, after which we would return to our constituencies. Then let the government have something else brought forward, and we would then take part in the next portion of the session. I do not know exactly how one would go about it, but it should be arranged so that members could return to their constituencies, and learn the feeling therein. In this session we have been away from our ridings for six months.

Mr. MACKENZIE KING: Well, let us get back as soon as we can.

Mr. ROSS (St. Paul's): I do not know whether I have contributed much in making this suggestion, but I will contribute now and I would add this, that members might be allowed, if they so desire, to place themselves on record by writing their speeches. Then we could have a committee of the house to go over those speeches and see if they are all right. Let them be put on *Hansard*, as far as that is concerned, and let us get on with the war.

Section agreed to.

Sections 4, 5 and 6 agreed to.

Bill reported, read the third time and passed.

Alberta Natural Resources

THE ROYAL ASSENT

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

Government House, Ottawa,

August 1, 1942.

I have the honour to inform you that the Right Hon. Sir Lyman Poore Duff, Chief Justice of Canada, acting as deputy of His Excellency the Governor General, will proceed to the Senate chamber to-day, Saturday, the 1st August, at nine o'clock p.m., for the purpose of giving the royal assent to certain bills.

I have the honour to be,

Sir, Your obedient servant, F. L. C. Pereira, Assistant Secretary to the Governor General.

ALBERTA NATURAL RESOURCES

AMENDMENTS OF TRANSFER AGREEMENT RESPECT-ING ROYALTIES ON OIL PRODUCTION

The house resumed from Wednesday, May 27, consideration in committee of Bill No. 18, to amend the Alberta Natural Resources Act —Mr. Crerar—Mr. McCann in the chair.

On section 1-Short title.

Mr. STIRLING: Mr. Chairman, I must protest most strongly against proceeding with this bill at this late hour in the session. For two weeks at least the house has been giving every assistance it possibly can to the government in this tiresome method of dealing with all the estimates in one lump at the end of the session. There are dozens of members in the house who have given considerable study to the estimates, but with the desire to assist they have forgone their opportunity to discuss matters they desired to discuss. I know of a great many hon. members, including myself, who have refrained from debating the estimates in the desire to get through.

Having given that assistance, it is a most unreasonable thing to proceed with this bill after the estimates are through. In the second place, this measure has proved a most contentious one. It was introduced in March and received second reading in May, and the debate at that stage was most contentious. The leader of the opposition expressed his views pretty strongly on the subject matter of the bill. The hon. member for Saskatoon City (Mr. Bence) and the two members from Calgary, both of whom are government sup-

Alberta Natural Resources

porters, and voicing the view of Liberals from Alberta, if I correctly understand the situation, spoke strongly against the bill.

Probably the strongest ground of all is that before the bill can become a statute it has to receive the royal assent. There are processes' therefore which must be gone through before that time arrives, and it seems to me very improbable indeed that the time will be sufficient for the enactment of those other processes. I suggest the Prime Minister would be well advised in withdrawing the bill, and not proceeding with it.

Mr. CRERAR: The acting leader of the opposition has put forth a strong plea. Let me say at once that personally I should have liked to see the bill considered by the committee long before this. However, whatever the fate of it may be this evening, there are a few observations I should like to make.

When the bill was last before committee, about the end of May, a point was raised by the leader of the opposition, by the hon. member for Saskatoon City and the hon. member for Calgary West that this legislation would interfere with the rights of certain companies in Alberta. I stated at that time, and I wish to restate now, that a considerable majority of the oil companies operating in Alberta reached an agreement with the government at Edmonton, and as a result of the understanding reached between the oil companies and the government, this amendment to the Alberta Natural Resources Act was introduced. When the matter was before the committee at the end of May the leader of the opposition (Mr. Hanson) suggested that I should get the opinion of the law officers of the crown on certain points. The hon, member for Calgary West (Mr. Edwards) cited two cases which he claimed showed clearly that the bill was seeking to give the Alberta government powers that it did not possess under the existing agreement. As a result of the request of the leader of the opposition I had my deputy minister address the following letter to the deputy minister of justice:

Dear Mr. Varcee:

Re—"An Act to amend the Alberta Natura Resources Acts".

When Bill No. 18 was considered in committee of the house on Wednesday last certain questions of law were raised by the members taking part in the debate. Please see the discussion in *Hansard* commencing at page 3063. The following among other questions were raised:

Mr. Bence (page 3075) inquired if the opinion of your officers had been obtained as to the reason for the incorporation of section 2 in the Alberta natural resources transfer agreement and whether it was put in for the purpose of protecting the dominion against possible actions for damages.

[Mr. Stirling.]

Mr. Hanson (page 3076) asked if the law officers of the crown were consulted as to the legal effect of the bill.

Mr. Edwards (pages 3078-9) referred to the case of Anthony vs. the attorney general of Alberta, 1942 (1 W.W.R. page 833), and the Spooner Oils Limited vs. Turner Valley Gas Conservation Board, 1933 (SCR 629). He expressed the view that in the light of the reasoning in these cases there was very grave doubt as to whether even the federal government could alter the terms of the leases.

Mr. Hanson (page 3079) stated that there was no doubt from the language of the chief justice in the Spooner case that there is a contractual arrangement which cannot be altered and that what the bill was trying to do was to violate a legal decision. He further stated as follows (page 3083):

stated as follows (page 3083): "If the law officers of the crown say that the decisions are wholly inapplicable, then of course the minister is on pretty sound ground with regard to his second major premise, that they had the right to vary the terms if the transfer had not been made. I do not think that is true, and I listened very attentively to that decision. If the minister finds that the law officers of the crown say that the decisions are applicable, then certainly he should review the whole position and tell the province of Alberta that since we negotiated, the courts have passed on this very question."

Early in the discussion the minister made the following statement (page 3070):

"There is no question whatever that had these resources remained with the federal government under dominion administration the dominion had the right to vary the terms of royalty. That is not disputed."

It is now desirable that you should express your views on these questions and particularly whether the two decisions of the courts referred to are applicable and have the legal effect attributed to them. For your information I am enclosing a copy of the form of lease and also a book containing the various dominion regulations and orders in council. Your attention is particularly drawn to paragraphs 38 and 39 of the lease form which deal with the payment of royalties.

That letter was dated May 29, a few days after the discussion took place in the committee. Under date of June 9, 1942, Mr. Varcoe, the deputy minister of justice, replied as follows:

Dear Mr. Camsell:

I beg to reply to your letter of the 29th ultimo with reference to the proposals contained in Bill 18 to amend the Alberta natural resources transfer agreement.

Persources transfer agreement. Paragraph two of the amending agreement will affect royalties payable under leases of petroleum or natural gas rights granted by the dominion prior to October 1, 1930, but only, as I understand it, in the case of wells developed after the 31st day of May, 1941.

I might interject here to say that the provision in the agreement is that all wells that were in operation before May 31, 1941, continue under the 10 per cent royalty. Mr. Varcoe's letter continues: The practical effect will be, apparently, to establish in the case of such wells, a maximum royalty payable of twelve and one half per centum during the period ending May 31, 1951; thereafter there will be no restriction on the authority of the province to exact royalties.

An examination of the forms of the leases granted by the dominion and the relevant regulations persuades me that there was no contractual or other limitation on the power of the proper authority—that is the governor in council prior to the transfer agreement and the proper provincial authority since—to fix any rate of royalty. The leases expressly provided that the royalties payable were such as might from time to time be prescribed.

It is true that maximum royalties of five per centum during the first five years of the lease and ten per centum thereafter were established on the 29th day of October, 1920, by order in council, but these could have been varied by the proper authority from time to time without breach of contract. This view is supported by the decision of O'Connor J. in the recent case of Anthony vs. attorney general for Alberta and minister of lands and mines, 1942, 1 W.W.R. 833, in which he held in effect that the lieutenant governor in council would not, in fixing timber dues, be affecting or altering contracts contrary to paragraph 2 of the natural resources transfer agreement provided that the dues so fixed were not prohibitive.

In other words, in the very case cited by the hon. member for Calgary West on that point the court found that so long as the dues were not prohibitive the province had the right to vary them. This was under licences issued prior to the transfer of the agreement. The letter then goes on to refer to the case upon which the hon. member for Calgary West based his main argument, and which excited the support of the leader of the opposition. The letter continues:

The decision in the case of Spooner Oils Limited v. Turner Valley Gas Conservation Board, 1933, S.C.R. 629, has no bearing upon the question of royalties for the reason that the rate of royalties was not in issue in that case. The dominion lease in issue was granted under the regulations of March, 1910 and 1911. The chief justice held that regulations enacted subsequent to the granting of the lease should not apply, but this decision has no significance in connection with the question of royalties for the reason that it was expressly provided in the lease that the royalties should be at such rate as might from time to time be specified by order in council.

It is my opinion that the royalties in connection with these dominion leases could have been varied by dominion authority, without any breach of contract or of the regulations, had the transfer of resources not taken place. Perhaps I should add in conclusion that the purpose of section two of the Alberta natural resources transfer agreement, as was pointed out by the privy council in the case In re refund of dues under timber regulations, 1935 A.C. 184, was to substitute the province for the dominion as the authority responsible for carrying out contracts granted prior to the agreement.

Alberta Natural Resources

That is not all I wish to place before the committee. The resources were transferred to Alberta under legislation passed by this parliament in May, 1930. The then member for Acadia asked a question of the Hon. Charles Stewart, who was handling the legislation. They were dealing with this very point, and I quote from the record:

Mr. Gardiner: Coming back to the question we discussed a moment ago, would the minister explain what position an oil lease would be in when these natural resources are transferred to the province? Would it be possible for the provincial legislature to amend the contracts in so far as oil leases are concerned, or are they only temporary or for a specified time?

Mr. Stewart (Edmonton): Mining leases and oil leases are in the same category; they are subject to fluctuations in royalties.

They are subject to fluctuations in royalties once they have passed to the province.

Otherwise all the provisions of the contract would have to be carried out.

That is the other provisions as to term of the lease, renewable features and the like. It goes on:

That is, the terms of the contract, whatever the agreement was, will have to be carried out. If the province made a general regulation increasing the royalties on oil, it would apply to these leases but they have no more authority than we possess at the moment because we do not guarantee to keep the royalties at a fixed amount under the terms of the lease. The only exception to that is that grazing leases are for a specified term of years and on a rental basis.

Mr. Gardiner: So that practically all leases would come under the jurisdiction of the legislature except certain specified leases, which would be very few?

Mr. Stewart (Edmonton): Quite right.

That clearly indicates that at the time this legislation went through the house, the intention was that the federal government should pass over to the provincial government all its rights and obligations in its leases and contracts and that the provincial government would accept them, and that was the purpose of section 2 of the transfer agreement. But while the province would be obliged to live up to the conditions of the lease in all other matters excepting royalties, the opinion of the law officers of the crown is clear from the letter I have read that the power of the federal government in the matter of royalties passed over to the province.

What is sought by this legislation? If there is strenuous opposition to the legislation I rather think, at this stage, that the legislation cannot go through; but I point this out very seriously to the members of the committee, that the whole purpose of this amendment is to stabilize the situation in Alberta and to get oil production, and anybody who knows any-

Alberta Natural Resources

thing about the oil situation in this country knows that one of our greatest needs is oil production. If this legislation fails to pass, there will be uncertainty. The law officers of Alberta hold one view; the lawyers advising the oil companies put forward another view as to the power of the provinces in the matter of royalties, and we shall have a resumption of a test through the courts. Hon. members who were here when the discussion took place before, will remember that an action was already entered in the courts and was only stopped because of the agreement reached between a majority of the oil companies and the pro-vincial government. That will resume; everyone knows the delay that will be caused, and the case will go from one court to another and ultimately, probably, to the privy council. During that whole period there will be doubt and uncertainty as to what the law is, and under those circumstances it is felt, and I think rightly, that capital will be reluctant to go into the business of oil development which is so necessary to the war effort. I do not wish to take the responsibility of creating that condition of affairs in the province of Alberta and I say here, and I say it with a full understanding of the weight of my words. that a refusal to pass this legislation and to secure that condition of stability in Alberta carries a pretty heavy responsibility for those who oppose the legislation.

I do not know that I have anything to add. I simply wish, before I sit down, to emphasize these points again. It seems clear from the debate that took place when the resources were transferred, that the intention was to transfer to Alberta the powers which the federal government has, and there can be no doubt that the federal government had the power to vary the royalties from time to time as it saw fit. I do not think there is any question of that. I do not think there can be any question in the light of the opinion given by the law officers of the crown and in the light of the understanding with which the debate was conducted at the time the resources were transferred. It may be debatable whether the Alberta government has the power to vary the royalties; I am not a lawyer, but my own opinion based upon the letter from Mr. Varcoe is that it has the power. That undoubtedly will be contested if the Alberta government endeavours to exercise that right. Then the whole dreary process through the courts will begin all over again, bringing timidity, uncertainty, and a certain amount of confusion where there should be certainty and stability, and we shall not get the oil production which this country needs so much.

[Mr. Crerar.]

Mr. STIRLING: There is a very simple answer, that if this is so serious a matter as the minister says it is, it is no end of a pity that the government did not proceed with the legislation earlier in the session. I have made my protest; I cannot do more than that, but if the discussion carries on for another two hours and two minutes I am afraid that adjournment will not take place to-night.

Mr. CRERAR: I regret as much as the acting leader of the opposition that things have so worked out that this is the last item of business for consideration at this session. I do think that the legislation is very important.

Mr. BENCE: This matter came up for discussion on the 26th and 27th of May. On the 9th of June the opinion was obtained from the Department of Justice, and to-day, on the first day of August, in the dying hours of the session, we are asked to conclude this discussion. I am not going to be stampeded by the suggestion of the Minister of Mines and Resources that members must take the responsibility if they hold up something that may be very necessary and essential to assist in the production of oil in Alberta, because, as I expressed myself to the committee the last time I spoke on this question, the whole matter could very easily have been settled by the province of Alberta. They are the ones who are adamant; they are the ones who are stubborn; they are the ones who have insisted on raising this royalties question and on going into court. If they would only comply with the terms of the transfer agreement, that would settle the matter.

I am not going to enter into a discussion of whether the legal opinion on royalties given by the justice department is correct. There is something far more important involved. The minister has quoted from the letter his deputy wrote to Mr. Varcoe, and it contains this reference to the remarks I made in the house:

Mr. Bence (page 2826) inquired if the opinion of your officers had been obtained as to the reason for the incorporation of section 2 in the Alberta natural resources transfer agreement and whether it was put in for the purpose of protecting the dominion against possible actions for damages.

There is no explanation of that, and I do not see how members of this house, unless they examine the position, can understand exactly what they are being asked to vote for in this legislation. But the last paragraph of Mr. Varcoe's letter to Doctor Camsell gives the only answer:

Perhaps I should add in conclusion that the purpose of section 2 of the Alberta natural resources transfer agreement, as was pointed

out by the privy council in the case "In Re Refund of Dues under Timber Regulations," 1935, A.C. 184, was to substitute the province for the dominion as the authority responsible for carrying out contracts granted prior to the agreement.

What happened was this. At the time the transfer was effected, a clause was put in the agreement, clause 2, which was discussed at length by the committee. That clause was put there for a definite purpose, because the dominion government had definite contractual obligations to the lessees. The point was raised whether the royalties could be changed. The opinion was obtained that that was not a term of the contract and that they could be changed. I have not the time to dispute that point. It is a legal point and I would not put my judgment against that of the officials of the Department of Justice. But with respect to the other terms of the agreement and the general question I asked, if we pass this legislation we are removing completely the protection given under section 2 and permitting the province of Alberta to change the leases in any manner they see fit.

Mr. CRERAR: No.

Mr. BENCE: Yes. I put this to the minister. Let him ask the officials of the Department of Justice what is meant, and get an elaboration of the last paragraph of the letter I read, and he will find it is true under the provisions of the leases that the lessee has the right of renewal. The leases are for twenty-one years, and at the end of twentyone years the lessee has the right of renewal of them, subject to certain stipulations with respect to compliance with the other terms of the lease. The dominion government, when it entered into the leases, agreed that it would give a renewal of them.

Mr. CRERAR: That is not affected by this.

Mr. BENCE: Yes.

Mr. CRERAR: No, it is not.

Mr. BENCE: I will read the provisions of section 2 of the agreement. It is certainly affected, because after this legislation is passed there will be no obligation on anyone's shoulders to comply with the terms of the lease. Let the minister examine the provisions of the case to which I have referred and he will see the very point discussed there. This matter had to go before the privy council of Great Britain because there was a complete novation of contract, and it was to place the province in the position of the dominion so that the province could carry out the lease. If at the end of twenty-one years the province decides it does not want to renew it, the lessee has no claim under the provisions of any contract if the section is passed. Section 2 provided:

The province will carry out in accordance with the terms thereof every contract to purchase or lease any crown lands, mines or minerals and every other arrangement whereby any person has become entitled to any interest therein as against the crown, and further agrees not to affect or alter any term of any such contract to purchase, lease or other arrangement by legislation or otherwise, except either with the consent of all the parties thereto other than Canada or in so far as any legislation may apply generally to all similar agreements relating to lands, mines or minerals in the province or to interests thereto.

There was an amendment to that in 1938. I will not read it unless the minister so wishes. Now, this is the proposition. Under the provisions of this legislation, page 3 of the bill which was presented to us for first reading, it is provided:

1. Paragraph 2 of the said natural resources transfer agreement as amended by agreement dated the fifth day of March, A.D. 1938, and duly confirmed by the parliament of Canada and the legislature of the province is amended by adding at the end thereof the following words:

"Provided, however, that the provisions of this paragraph shall not apply to any contract to purchase or lease petroleum or natural gas or to any other arrangement whereby any person prior to the first day of October, one thousand nine hundred and thirty, had become entitled to any interest in such petroleum or natural gas as against the crown."

It goes on to set out certain stipulations with respect to the matter of rates of royalties, but generally speaking that paragraph goes to the whole root of the thing and destroys the effect of section 2, which gave protection to the lessee under the legislation which was put through in this parliament in 1930 and validated by the British privy council.

The Spooner case, referred to in the remarks made by the member for Calgary West (Mr. Edwards), showed that the matter was debated and the whole question was discussed from the point of view of whether or not there was a right to alter the terms of the agreement, and it was decided that there was no such right. I understand that the Department of Justice said with respect to royalities that it was no alteration of the term. I will accept that for the sake of argument. Nevertheless, with respect to all other terms of the agreement, with respect of the right of renewal, or any of the other terms-I have not a copy before me, but the member for Calgary West has-there is no protection to the lessee. The dominion government in 1930, when it transferred the resources, very wisely in my opinion decided to have that clause 2 put in the agreement. The explanation of that is given in the case referred to in the last paragraph of the letter from Mr. Varcoe in this particular case which is known as "Refund of dues under timber regulations" at page 198. I quote:

Under clause 2 it is the province,-

Clause 2 is the clause which I have just quoted.

--to which the lands have been transferred, that can alone as a matter of law thereafter grant the patent to an entrant;

This was a timber rights and homesteads case, but it had to do with exactly the same section we are discussing now.

-the agreement, made law by the act of 1930, requires the province to carry out the various specified obligations in respect of the lands transferred; these obligations are now imposed on the province by law; by the same reasoning they do not any longer attach to the dominion; that implies that by law the entrant must go to the province to obtain the carrying out of the various obligations which the statute of 1930 by confirming the agreement requires the province to fulfil. It follows that even vis-avis the entrant the obligation of the province. Thus there is effected by force of the law what may be called a statutory novation.

If that were not so, the entrant would retain his claim as against the dominion, while the dominion, on settling the claim, would be entitled to be recouped by the province. But that position, though perhaps not different in the final incidence of the burden, is obviously much less convenient.

I do not want to take up much time and therefore I will not read copious extracts, but the effect of the judgment is that under these leases the dominion entered into a contractual obligation with the lessee to do certain things. By the transfer agreement of 1930 the province assumed the obligations under the leases, and, as part of the consideration therefor, entered into an agreement as provided under section 2 of the transfer agreement. It agreed to carry out and comply with the terms of these leases. Now, the dominion, having protected itself by the insertion of that clause, had nothing further to worry about. If there was a breach of the lease, if the lessee failed to obtain his renewal when he was entitled to it, then he could go to the province-because he had this contractual obligation, this novation of contract described in the judgmentand could say to them, "you have to comply with the terms of this undertaking because as a result of the validation by the privy council you owe me an obligation." The dominion government having divested itself of its obligations under the lease, in consideration for the resumption by the province, is now turning around and taking that section out of the act and thus taking away all the pro-[Mr. Bence.]

tection that the lessee has. That is as patent as anything can be if this timber regulations case is read, altogether irrespective of the matter of royalties, a large subject of discussion before. There is a far greater breach of contractual obligations and rights of the individual than I had ever thought of until I carefully examined that case.

These are the only remarks I want to make in connection with the legal side. I am so convinced that that is the position of affairs that I express myself as seriously as I can, because I think this government will be making a serious mistake and putting itself in a position where it would be open to action for damages, certainly would be in a position where it would have a fight, because the matter is so very clear that there are likely to be damages in connection with the breach of some of these other obligations to the contract, that I seriously suggest to the administration that it consider the matter in the light of the position in which it will put these lessees in respect of other terms of the leases

I have further remarks to make on general lines in connection with the whole matter. Correspondence which was tabled in the house puts the matter in a very different light so far as the people of Alberta are concerned from that which we have received from the minister. I say that with all respect. I also have something to say in connection with the number of leaseholders who hold dominion leases and do not at the same time hold provincial leases. It is they who are objecting to this legislation. These further remarks I think I shall defer until third reading.

Mr. EDWARDS: This committee is concerned in this bill because of its effect on the oil industry in my province. I approached this bill in the first instance not from the legal point of view, but as result of discussions which took place a few months ago on second reading I became interested in the legal aspect of the case. However, I am sure this committee is in no temper this evening to follow the intricacies of a legal discussion in respect of oil royalties which have already been the subject of considerable litigation. We could not possibly cover all the ground and all that should be said on that to-night.

The simple facts of the matter are these, that in the 1910-11 regulations of the federal government a provision was inserted that there should be no royalty until 1930. Then we come along to the next critical period, the year 1920. In that year the then Minister of the Interior went before the cabinet council, and this order in council was passed:

The minister states that representations have been made to the Department of the Interior that failure to fix the royalty which may be charged on the products of petroleum locations has the effect of retarding development, as persons contemplating investment in this industry hesitate to incur the large initial expenditure necessary to ensure success without knowing what tax may be placed upon the oil which may be discovered.

The minister therefore recommends that for a period of five years after the date upon which the minister of the interior may decide that oil in c mmercial quantity has been discovered on lands acquired under the provisions of the regulations aforesaid the royalty to be collected by the crown shall not exceed 5 per cent of the output of the well or the sales of the products of the location as may be decided by the minister, nor shall it be less than two and one-half per cent of such sales during that period. That for a further period thereafter of five years the royalty to be collected shall not exceed 10 per cent of the sales of the products of the location, nor shall it be less than 5 per cent of the sales during that period; and that thereafter—

Without any limitation.

-the royalty shall be 10 per cent of the sales of the products or locations acquired under the provisions of the said regulations.

That order in council was passed for one purpose and one purpose only, as it says in the recital, namely, to give stability and certainty to the oil industry and those people who might be induced or encouraged to invest their money in drilling for oil. Be it said to the credit of each succeeding federal government from 1920 until 1930, that royalty regulation was never changed. It was during that period that the development of those oil resources did, in fact, get an impetus and stimulus which has carried on to the present time.

In 1930 the resources, as hon. members are all aware, were transferred to the province of Alberta, subject to the provision of section 3 of the Alberta Natural Resources Act. Be it said to the credit of the then government of Alberta and the present government of Alberta that for the next succeeding ten years, or from 1930 until 1940, or a total in all of twenty years, the federal government and the provincial government recognized the full force and effect of that which I have just read. The oil industry in Alberta has relied on the order in council.

It is quite true that the Department of Justice, to which these leases were referred, looked at the lease itself with microscopic eye to find out what it contained, whether there was any legal impediment.

I direct the attention of hon. members to clause 39 of the regulations which were attached to all petroleum leases from and after 1920 when the order in council was passed. Bear in mind that that order in council was passed to give certainty to the

oil industry as to the royalties they had to pay for the next five years, for the succeeding five years, and thereafter. The draftsman of the regulations said, after his first sentence:

. . . for a period of five years after the date upon which the minister of the interior may decide. . . .

He repeats exactly the words that were in that order in council. But they still leave in the resolution the opening sentence, the old clause, and accordingly section 39 reads as follows:

A royalty at such rate as may from time to time be specified by order in council may be levied and collected on the natural gas products of the leasehold.

The first sentence provides that the royalty shall be at such rate as the governor in council may determine. Then in the same paragraph the regulation goes on to state what the royalty is. I asked the Department of Justice what was the legal position of a holder of federal royalties the day after the order in council of 1920 was passed, and the department said he was in no different position from that in which he was the day before the order in council was passed. In other words, this government had in fact given nothing, had given no security to the oil leases, which were just as insecure as before; and there was just as much uncertainty with regard to the rates after the order in council was passed as there was before. But what about the investing public; what about the people who invested millions of dollars in the development of our oil resources? They relied on the order in council, which specifically told them what the royalties were going to be.

Surely we cannot blow hot and cold at the same time. At least up until the end of 1940 this government and the government of Alberta never attempted to change that royalty regulation. If the Department of Justice is right in its interpretation of the strict legal position, which I am by no means prepared to admit, there is laid on this government a much heavier burden of responsibility, to exercise a greater degree of care to see to it that there shall be no breach on our part, or so far as this government may prevent it, of the understanding on which the oil industry has acted ever since 1920. Strangely enough, an agreement similar to this was negotiated by the provincial minister of mines of Alberta with the present Minister of Mines and Resources of Canada a year and a half ago, unknown at the time to any of the members of this house or to the people of Alberta. It did not become public, so far as I know, until the bill was introduced into the Alberta legislature.

Alberta Natural Resources

Mr. STIRLING: What date was that?

Mr. EDWARDS: About March or April of 1941. At that time I took the position, and made representations to the minister, that this parliament should not proceed with such legislation when the oil industry and the individuals who had bought federal leases in years gone by did not know what was being done. Be it said to the credit of the minister that the bill was not proceeded with at that time. The gentleman who drew this matter to my attention at that time was counsel for the province of Alberta on the royal commission which was set up at the request of the government of that province to ascertain, among other things, what if any loss the province has sustained by reason of the alienation of its resources prior to those resources being transferred back to the province. I do not think I can do better than place before this committee the opinion of that gentleman. After reciting the order in council of 1920, which I have just read, he says:

From the foregoing you will observe that the royalty is fixed at a maximum of 10 per cent, and it seems to me the dominion is under a clear obligation to see that its contract in that respect is carried out just as it would expect any one of us to carry out our contract if we were parties to a like arrangement.

I was counsel for the province of Alberta in the presentation of its case for compensation for the loss of revenue from its resources under the provisions of the agreement of the 14th of December, 1929. A commission was set up and the province presented its case before that commission. That commission made a finding awarding to the province of Alberta \$6,250,000. The province has never accepted the award as being adequate. In presenting its claim for compensation the province pointed to many things which the dominion had done with the resources as items on which potential revenue was lost. One of these items for which the province claimed compensation was the loss of royalty revenue due to the very orders in council which I have quoted, which fixed the royalty at 5 per cent for a time and 10 per cent thereafter.

The province in that submission took the position that the agreement of the 14th of December precluded it from raising the royalty or varying it in any way from that imposed by the dominion, and claimed a consequent loss of revenue, alleging that the province would, if free, have at that time imposed a higher royalty.

That is the opinion of the learned gentleman who presented the case for the province of Alberta to the royal commission, and that gentleman had with him as associate counsel a member of the legal staff of the present attorney general's department.

Then the minister referred to the support given this bill by certain oil industries. I said in a previous discussion, and I believe I may reiterate at this time, that the only [Mr. Edwards.] companies who have subscribed to this bill are those oil companies who had more potential value in provincial than in federal leases. I challenge the minister and the provincial government to show me the name of one federal leaseholder possessed of potential leases who has subscribed to this agreement. There is not one.

What have they to say about it? I have in my hand a sheaf of telegrams from various oil companies and leaseholders protesting against the inequity and the unfairness of this legislation. Under date of May 19, 1941, the Alberta Petroleum association write to the oil controller, if you please; and what do they say? This is the concluding paragraph:

The operators are strongly opposed to any interference with dominion government leases and are firm in their view that royalty payable under these leases should not be changed whatever the government may decide to do with the later provincial leases.

Mr. CRERAR: What do they say in May, 1942?

Mr. EDWARDS: The letter continues:

The operators are also strongly of the opinion that this is not the time to place any additional financial burden on the industry, either by royalty or otherwise, and that it is essential that so long as war continues there should not be any unnecessary disturbance of the industry and changes in either regulations or crown royalties. The industry needs stability and permanence in these things if it is to do its job properly.

That is signed by the president of the Alberta Petroleum association. What did the oil controller say about this matter when it was considered a year ago? In the documents filed by the minister we find a telegram from the oil controller to the minister, dated April 4, 1941. It reads:

Stimulus to well drilling dead as result of Alberta legislation made possible by recent agreement between province and dominion government.

This was signed by Mr. Cottrelle.

Mr. CRERAR: It is quite true that the oil controller expressed that opinion in May, 1941. But as a result of the understanding reached between the majority of the companies and the Alberta government early this year, the oil controller sent a telegram expressing his approval of it, and hoping the legislation would go through.

Mr. EDWARDS: That raises other considerations. Stability, but at the cost of what? A broken pledge and broken promise. Let us not make that our claim to power.

Mr. BLACKMORE: Would the hon. member indicate the pledge or the promise that is going to be broken? Mr. EDWARDS: The pledge or promise on which the oil industry in Alberta has acted for the last twenty years. It is embodied right in that resolution passed in 1920 when, be it said to the credit of the minister of that day, there was an attempt to give certainty and stability to the oil industry. And those people who spend their hundreds, their thousands, their tens of thousands and their hundreds of thousands to dig holes in the Turner valley and elsewhere in Alberta—

Mr. BLACKMORE: Who is breaking the pledge, or undertaking to do it?

Mr. EDWARDS: Who is breaking the pledge? Well, the province of Alberta did it last year.

Mr. BLACKMORE: The hon. member has just read a statement in which he has spoken of the stability which has resulted from what the Alberta government did last year.

Mr. EDWARDS: I am not talking about what the Alberta government did last year. What did Mr. Cottrelle say about the bill which was passed by the Alberta government as a result of the agreement entered into between the province and the dominion? He wired the Minister of Mines and Resources in April, saying that the stimulus to well-drilling was dead as a result of Alberta legislation, partly made possible by reason of the agreement between the provincial and dominion governments. That is what happened. Now, can we face the holders of oil leases and say to them that they have stability?

Mr. BLACKMORE: And has the stimulus been dead since that time, or does not the evidence of development prove quite the contrary?

Mr. EDWARDS: Not as a result of this legislation. The hon. member knows that when that bill was proposed and went through the Alberta legislature there were numerous well-drilling outfits which closed down their operations and refused to make further expansions until they learned what their legal position was. I personally have knowledge of the Alberta Petroleum association meeting and deciding that they would fight this thing, and I know they retained counsel for that purpose.

As my hon. friend knows, Alberta did pass a bill in anticipation that this house would ratify the agreement providing for increased royalties. They sent notice to all the holders of oil leases demanding that they pay increased royalties. Without, I believe, one exception, every responsible oil company in Alberta contributed, and backed up the oil association to fight that legislation.

The Royal Assent

Mr. CRERAR: If my hon. friend would permit me: I dislike very much breaking into the speech the hon. member is making, but it is obvious that we are not going to get agreement on this bill to-night. We have had a strenuous day, sitting almost continuously since eleven o'clock this morning. I do not think there is any possibility of getting the legislation through, much as I think it should be passed. This session does not terminate to-night, and there should be an opportunity of reconsidering the matter. Therefore, Mr. Speaker, I move that the committee rise, report progress and ask leave to sit again.

Progress reported.

TREATIES AND CONVENTIONS

RED CROSS AND PRISONERS OF WAR

The house having reverted to motions:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I should like to table a document entitled "Canada, Treaty Series, 1942, No. 6, Red Cross and Prisoners of War Conventions." These copies have been received from the printer to-day.

BUSINESS OF THE HOUSE

RESCISSION OF MOTION OF JULY 15, 1942, WITH RESPECT TO MORNING AND SATURDAY

SITTINGS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the resolution adopted by the house on July 15, 1942, whereunder the house shall meet at eleven o'clock a.m. of each sitting day and shall sit on Saturday until the end of the session, be rescinded.

Motion agreed to.

SUSPENSION OF SITTING

On motion of Mr. Mackenzie King the sitting was suspended until 9.55 p.m.

The house resumed at 9.55 p.m.

THE ROYAL ASSENT

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

Mr. Speaker, His Honour, the deputy of His Excellency the Governor General, desires the immediate attendance of this honourable the house in the chamber of the honourable the Senate.

Accordingly the house went up to the Senate.

And having returned.

Mr. Speaker informed the house that the deputy of His Excellency the Governor Gen-

eral had been pleased to give in His Majesty's name the royal assent to the following bills:

An Act for the relief of Eleanor Adele Rea Barrett.

An Act for the relief of Eleanor Edith McKechnie Barlow.

An Act for the relief of Dorothy Agnes Henrietta Russell Cantlie.

An Act for the relief of Irene Coadic Murphy

An Act for the relief of Lester Lewis Catchpaw.

An Act for the relief of Annie Ruth Fisher Allen.

An Act for the relief of Alice Adelia LaFleur Johnston.

An Act for the relief of George Webb.

An Act for the relief of Edith Morgan Black. An Act for the relief of Betty Leah Bregman Beloff.

An Act for the relief of Malca Levitt, otherwise known as Atty Malcy Levitt. An Act for the relief of Jack Simon.

An Act for the relief of Marie Louise An Act for the relief of Marie Bourse An Act for the relief of Marie Glenna Grace

Thomas Reynolds.

An Act for the relief of Isabel Jessica Black Jolley.

An Act for the relief of Margaretha Elisabeth Buck Peereboom. An Act for the relief of Ethel May Marshall

James. An Act for the relief of Anastasia Tkaczuk

Wojtkowycz. An Act for the relief of Phyllis Wilda

Valentine Park Evans.

An Act for the relief of Louise Mehliss Jackson.

An Act for the relief of Bertha Beatrix Berlind Ripstein.

An Act for the relief of Lola McIntosh.

An Act for the relief of Stella Kathleen Marguerite Winnall Barwick.

An Act for the relief of Joyce Elizabeth Blackburn Gordon.

An Act for the relief of Kate Elizabeth Laidlaw McNiven.

An Act for the relief of Margaret Livingstone Turnbull Woodard. An Act for the relief of Dorothy Sunsheine

Steirman Cooke.

An Act for the relief of Doris Golt Rosner.

An Act for the relief of Anna Pohopoluck Yacobchak

An Act for the relief of Myer Levine.

An Act for the relief of George Sutherland Cameron, junior. An Act for the relief of Fred Catlow. An Act for the relief of Mary Celina

Broadhurst LaRose.

An Act for the relief of Elsie Epstein Cohen. An Act for the relief of Gertrude Pelletier Patenaude.

An Act for the relief of Marieatt Venditello Diano.

An Act for the relief of Edna Annie Heazle Constable.

An Act for the relief of Dorothy Reed Cushing.

An Act for the relief of Sarto Desnoyers.

An Act for the relief of William Milroy Davidson. An Act for the relief of Audrey Meredith

Mann Harrison.

An Act for the relief of François Henri Drack.

[Mr. Speaker.]

An Act for the relief of Gladys Irene Dale

Weston. An Act for the relief of Ruth Ufland An Act for the relief of Norma Brown

Stevenson. An Act for the relief of Mary Cummings

Bullock. An Act for the relief of Elizabeth Gertrude

DeSerres Gould. An Act for the relief of John Clifford

Stanley Darbyson. An Act for the relief of Celia Reynolds

Schellenberg. An Act for the relief of Annie Miriam Scott.

An Act for the relief of Marguerite Elsie Ramsay Murdock.

An Act for the relief of Elizabeth Molnar Schneider.

An Act for the relief of Max Kaback

An Act for the relief of George McDonald Joseph Carew.

An Act for the relief of Wandless Joseph Henry Verdon.

An Act for the relief of Mary Eileen Scott Warrington.

An Act for the relief of Joseph Bergman.

Act for the relief of Marie Martha An Hermine Browne Peters. An Act for the relief of Ethel Gerson

Kalmanovitch.

An Act for the relief of Freda Sweet Simon. An Act for the relief of Phyllis Mary Alice Verrinder Horrell.

An Act for the relief of James McKinna Wood.

An Act for the relief of Leah May Jarvis Traver.

An Act for the relief of Barbara Patricia Strange Wolfe.

An Act for the relief of Bella Miller Keller. An Act for the relief of Effie Euphemia Shannon Monette.

An Act for the relief of Elsie May Cape Newman.

An Act for the relief of Bella White Wolfe.

An Act for the relief of Alan Swabey. An Act for the relief of Jean Creighton King. Walker

An Act for the relief of Alice Beatrice

Armand Roberts. An Act for the relief of Frederick William Merchant.

An Act for the relief of Irma Kern Ulrich.

An Act to change the name of The Saskatche-

wan Life Insurance Company to Fidelity Life Assurance Company.

An Act to incorporate the Canadian Dental Association.

An Act respecting certain transmission and distribution lines of Saguenay Transmission Company, Limited, Saguenay Electric Company and Aluminum Power Company, Ltd.

An Act to provide for the Reinstatement in Civil Employment of discharged members of His Majesty's Forces and other designated classes of persons.

An Act respecting the carrying on and co-ordination of Vocational Training.

An Act to assist War Veterans to Settle upon the Land.

An Act to amend the Customs Tariff.

An Act to amend the Special War Revenue Act.

An Act to amend The National Resources Mobilization Act, 1940.

An Act to provide for Insurance of Property against War Risks and the payment of Compensation for War Damage.

An Act to amend The Excise Act, 1934.

An Act to amend the Department of External Affairs Act.

An Act to amend The Excess Profits Tax Act, 1940.

An Act to amend The Dominion Succession Duty Act.

An Act to amend the Precious Metals Marking Act.

An Act to authorize the provision of moneys to meet certain capital expenditures made and capital indebtedness incurred by the Canadian National Railways system during the calendar year 1942, to provide for the refunding of financial obligations and to authorize the guarantee by His Majesty of certain securities to be issued by the Canadian National Railway Company.

An Act to amend the Income War Tax Act. An Act for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1943.

On motion of Mr. Mackenzie King the house adjourned at 10.15 p.m. until Wednesday, January 27, 1943, at three o'clock in the afternoon.

Wednesday, January 27, 1943

The house met at three o'clock.

THE KING'S BIRTHDAY

REPLY OF HIS MAJESTY TO RESOLUTION EXTEND-ING GREETINGS AND GOOD WISHES

Mr. SPEAKER: I have the honour to inform the house that I have received the following communications:

> Government House, Ottawa, 17th August, 1942.

Sir:

17th August, 1942.

With reference to your letter of the 9th June last, I am desired by His Excellency the Governor General to forward herewith a letter from Buckingham Palace containing the King's reply to the resolution adopted by the House of Commons on the occasion of the official celebration of His Majesty's birthday.

I have the honour to be,

Sir,

Your obedient servant,

F. L. C. Pereira, Assistant Secretary to the Governor General.

> Buckingham Palace, 14th July, 1942.

The Speaker,

House of Commons of Canada.

Dear Mr. Speaker,

The King has received from the Governor General a copy of the resolution adopted by the House of Commons of Canada on the occasion of the official celebration of his birthday.

44561-327

Vacancies

His Majesty deeply appreciates the terms of this resolution and the kindly sentiments towards himself to which it gives expression. I am to ask you to be good enough to convey to the members of the house the King's sincere thanks for their message, which is to him a source of real encouragement.

Yours sincerely,

Alexander Hardinge.

PROROGATION OF PARLIAMENT

MESSAGE FROM THE GOVERNOR GENERAL'S SECRETARY

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

Ottawa, January 15, 1943.

Sir:

I have the honour to inform you that the Honourable Thibaudeau Rinfret, acting as Deputy of His Excellency the Governor General, will proceed to the Senate chamber on Wednesday, the 27th day of January, at four p.m., for the purpose of proroguing the present session of parliament.

I have the honour to be,

Sir,

Your obedient servant, F. L. C. Pereira, Assistant Secretary to the Governor General.

VACANCIES

Mr. SPEAKER: I have the honour to inform the house that during the adjournment I received communications from several members, notifying me that the following vacancies have occurred in the representation, viz:

Of Thomas Vien, Esquire, member for the electoral district of Outremont, by resignation;

Of Honourable Joseph Thorarinn Thorson, member for the electoral district of Selkirk, consequent upon the acceptance of an office of emolument under the crown;

Of Harry Raymond Fleming, Esquire, member for the electoral district of Humboldt, by decease;

Of Peter Bercovitch, Esquire, member for the electoral district of Cartier, by decease.

I accordingly issued my several warrants to the chief electoral officer to make out new writs of election for the said electoral districts, respectively.

NEW MEMBERS

Mr. SPEAKER: I have the honour to inform the house that the clerk of the house has received from the chief electoral officer certificates of the election and return of the following members, viz:

REVISED EDITION

Casablanca Conference

Of Honourable Leo Richer LaFleche, for the electoral district of Outremont;

Of Stanley Howard Knowles, Esquire, for the electoral district of Winnipeg North Centre;

Of Frederic Dorion, Esquire, for the electoral district of Charlevoix-Saguenay.

NEW MEMBERS INTRODUCED

Hon. Leo Richer LaFleche, member for the electoral district of Outremont, introduced by Right Hon. W. L. Mackenzie King and Hon. L. S. St. Laurent.

Stanley Howard Knowles, Esquire, member for the electoral district of Winnipeg North Centre, introduced by Mr. M. J. Coldwell and Mr. Angus MacInnis.

M. Frédéric Dorion, député de la circonscription électorale de Charlevoix-Saguenay, est présenté par M. J.-Sasseville Roy et M. Jean-François Pouliot.

CASABLANCA CONFERENCE

MEETING OF PRIME MINISTER CHURCHILL AND PRESIDENT ROOSEVELT, TOGETHER WITH CHIEFS OF STAFF, IN NORTH AFRICA

Right Hon. W. L. MACKENZIE KING (Prime Minister): It is always a pleasure at the beginning of a new session of parliament, Mr. Speaker, or following the prolonged adjournment of an existing session, to have the opportunity of greeting members once more and renewing the associations of parliament. I feel that this pleasure is greatly enhanced to-day in virtue of the announcement made over the radio last night of the conference which took place at Casablanca, in North Africa, between the Prime Minister of Great Britain and the President of the United States. Although the business of this session is virtually concluded, and what remains is largely formal procedure, I feel that hon. members would wish to have some mention made of the conference, that in the proceedings of the house it may be on record as having taken place within the period of this particular session.

When the session was adjourned almost six months ago the fortunes of the united nations had reached a place where it seemed that they were almost at the darkest hour since the beginning of the war. In the interval, since adjournment, the scene has changed in nearly all parts of the world. With the achievements of the British forces in Egypt and Libya; with the landing of British and American forces in North Africa, and the successes there; with the unrelaxing, heroic resistance of the Chinese, and the magnificent successes of the Russians, and the gains in the Southwest Pacific, we now have come to a time when we may justly feel that the fortunes of war have greatly changed, that the allied and the axis powers are more evenly balanced, and that the outlook gives every reason for hope and encouragement as far as the future is concerned.

Nothing could have afforded more in the way of fresh light on the horizon than the news of the meeting which has taken place during ten recent days at Casablanca, and particularly the announcement that, as a result of the conference of the Prime Minister of Great Britain and the President of the United States and the experts who accompanied them, the British and American leaders, both civil and military, have arrived at an agreement with respect to the plan of war which has been so worked out, it is hoped, as to enable the allied forces to maintain throughout this present year the initiative which they have now gained.

I shall not attempt to go into matters pertaining to the conference. During the new session there will be opportunity to discuss all matters relating to the war, and also, if it is desired, to give such information as it may be possible to make public with respect to the conference at Casablanca.

I should add, however, that one of the gratifying features of the conference, in addition to those I have mentioned already, is the further announcement that there has been a meeting between General de Gaulle and General Giraud which we hope will lay the foundations of an enduring union between the forces of the fighting French and those under General Giraud. I am sure, too, that there will be great satisfaction in the announcement that both China and Russia have received from the conference assurances of the additional aid which it is going to be possible for them to receive from the other united nations during the continuance of the war.

In a word, I am sure this House of Commons would wish it to be known that it views with the greatest possible satisfaction the conference which has taken place, both the fact that there has been such a conference and the announcement which has been made in reference to its proceedings; and that we cherish no hope more profoundly than that the plan which has been worked out may be realized in the fullest possible measure during the course of the present year.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, every lover of

[Mr. Speaker.]

freedom and liberty, and of our cherished civilization, took new heart last night. The people of Canada who from the very beginning have made this fight their own will renew their strength and their confidence in the ultimate outcome of the great struggle in which we are engaged.

I must say my admiration for Mr. Roosevelt never rose higher than it did when I learned about his conference with Mr. Churchill. Whatever criticism may be levelled against the President in his own country, no one will ever be able to say that he is not a man of great courage and resolution. Nor can it be said that he is not a world leader, and a world leader of whom all of us in all allied countries may be very proud.

Of course we expect Mr. Churchill to go to any interview which might be arranged. His personal courage has been demonstrated not only during this war but upon many a battlefield. As the leader of the great British empire and the present leader of the free peoples of the world we applaud his share in the meeting which took place at Casablanca.

Either now or at a later time I should like the Prime Minister (Mr. Mackenzie King) to amplify his statement in certain respects. Was Canada kept informed? Was the government of Canada informed of the Casablanca meeting? Was the government of Canada informed from time to time of the proceedings which took place at Casablanca? Does the government of Canada concur in the objectives reached? I believe it would be of interest to the people of Canada to know just where our country stands in this matter.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to comment briefly upon the statement which the Prime Minister (Mr. Mackenzie King) made to the house in regard to the great conference at Casablanca. It is a matter of deep satisfaction, shared I am sure by all of us, that the Prime Minister of Great Britain and the President of the United States were able to meet and discuss vital policies and questions of high importance affecting the prosecution of the war. As the leader of the opposition (Mr. Hanson) has suggested, I hope the Prime Minister will on some future occasion, either in a public or a private session of this house, give us more information regarding this conference than we have yet received.

I am sorry that it was impossible, for reasons that we all understand, for Mr. Stalin, the great leader of Russia, to be present, and that General Chiang-Kai-Shek also was unable to be there. I have noted in writings and from certain conversations I have had during the

44561-3271

Casablanca Conference

past few months that there is a growing misgiving on the part of certain of our great allies, arising from the opinion that this war is being looked upon too much as purely a partnership between the two great powers who have recently conferred. I hope that steps will be taken to ensure that representatives of the other great nations are enabled to meet in council with the President and the Prime Minister of Great Britain. I shall go one step further. The smaller nations have an important contribution to make. Canada. Australia, New Zealand, and the other nations of the British commonwealth, as well as fighting France and the smaller allies, should be joined together in conference in an effort to bring this war to a successful conclusion, which can be achieved only by the complete overthrow of the nazi, fascist and Japanese aggressors. If such a conference were held in the near future, it would do much to assist in the building up of a well-informed public opinion.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, referring to the matter which the Prime Minister (Mr. Mackenzie King), has discussed, namely, the meeting of Prime Minister Churchill and President Roosevelt, I share the sincere feeling of satisfaction of hon. members of the house and the people of this country in the manifestation by these two men of such courage and originality, such interest and industry in the prosecution of the titanic conflict in which we find ourselves engaged. I trust that they were able to achieve what they meant to achieve in the matter of expediting the conduct of the war. I trust, too, that while they were there they were able to make much progress in laying plans for the rehabilitation and reestablishment of mankind after the war is over. I have much greater anxiety, sir, concerning what is to follow the peace than I have concerning the outcome of this struggle. I believe that we shall win this struggle, but I fear that far too little attention is being paid to the problem of winning the peace, and we shall watch with deep interest the developments that follow.

Mr. MACKENZIE KING: Mr. Speaker, may I say to my hon. friend the leader of the opposition as a reply to his question that it would be preferable, I think, to wait until the new session when there will be opportunity to discuss at length, if so desired, the conference at Casablanca, before I make any further statement with reference to it. But I should like to inform my hon. friend and the house immediately that I was duly informed of the intention of the Prime Minister and the President to meet in conference before the conference itself took place, and I also received a summary of the proceedings of the conference before any announcement was made to the public. More than that I do not feel I should say at the moment.

I should like to add that when the matter comes up for discussion I hope to have at my left the Minister of National Defence (Mr. Ralston), who unfortunately met with an accident a few days ago but who I am happy to say is now rapidly recovering from its effects.

TRIBUTES TO DECEASED MEMBERS

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I have referred to our pleasure in meeting together once more, but there is seldom a long adjournment of parliament, or a session of any length, during which one or two or more of our members are not taken from us. The adjournment of the past few months has been no exception in that particular. Since we last met here two well known members from this side of the house have been taken away, Doctor Fleming, the hon. member for Humboldt, and Mr. Peter Bercovitch, the hon. member for Cartier. Both of these gentlemen made important contributions to the work of parliament.

To one following the proceedings of this house from the galleries it might seem a little strange that at a time when the lives of large numbers of men are being sacrificed in different parts of the world in the cause of freedom. when we are suffering such losses as are being suffered in the different services, we should pause at the beginning of our proceedings to take notice of the passing of but one or two of our small number here. However, it is not merely the thought of the individual himself that is in our minds on occasions such as this; it is what he represents, in his own personality and character, and also what he represents of the constituency whose honour he upholds in this parliament and over whose interests he watches; it is also what the constituency itself represents in the life of our country, and the experience which an hon. member must necessarily bring to parliament, as a result of which he is chosen as representative of the community from which he comes.

Doctor Fleming was one of a group of medical doctors who constitute one of the important professional groups in this parliament. Like many of the young men of a few years ago, upon completing his course at a university in Ontario, he went to western Canada and began the practice of his profession on the prairies. He chose a community which had been largely settled by persons who had come to Canada from different countries in Europe.

[Mr. Mackenzie King.]

As a member of that community he took a special interest in the fortunes and burdens of those who come to a new country from other lands. He was an outspoken champion of racial equality, regardless of the origins of those whose interests he was supporting. He was strong in his advocacy of those measures which would make for fair treatment of minorities. I am sure there is no cause more deserving of support at this particular time in our country than that pertaining to the rights of minorities, and to those of different racial groups. In helping to understand their feelings and their interests, and thereby in helping to further the cause of unity among those of different racial origins in our country at a time of war, Doctor Fleming rendered a real service to parliament and to the country. He passed away at the early age of forty-six years. It is unfortunate that the course of his earthly life should have been so brief.

The late Mr. Peter Bercovitch who entered parliament in 1938, was also a representative of a constituency of special character, in that its electors in large part were of a faith different from that of the majority of their fellow citizens. Mr. Bercovitch sat in parliament as the representative of a constituency which for something like twenty-five years has been represented in parliament by a member of the Jewish faith. After the passing of Mr. Jacobs, whom those of us who sat in parliament with him will always remember as one of the most lovable characters, the late Mr. Bercovitch was offered the nomination in that constituency. He was no stranger to politics, having been a member of the legislative assembly in Quebec for a considerable number of years. I believe he first entered that assembly in 1916, and continued as a member until he resigned to contest the federal constituency. It was a tribute, I take it, not less to the man himself than to the ideals and the cause he championed that he, a member of the Jewish faith, should have entered this parliament on the first occasion without He was returned at the last opposition. general election, but not being in robust health, in fact far from it, he was not able to take an active part in the proceedings of the house. However those who knew the late Mr. Bercovitch will be the first to recall that he held a high and honourable position in his profession and that he was recognized as one of the leading barristers in our country. Also, as hon. members are aware, he was a leader of Jewry in the part of Canada in which he lived. He was a constant and fearless champion of the welfare of the people he represented. I should imagine there is no member in the House of Commons who felt more deeply

for or who gave more constant attention to the burden of the oppressed peoples of the Jewish faith than did the late Mr. Bercovitch.

I am sure all hon. members will join with me when I say that we have lost from our midst two most valuable members of the House of Commons. Their memories will long be cherished by those of us who knew them well.

On behalf of the members of the House of Commons, Mr. Speaker, I would ask you to convey to Mrs. Bercovitch and to Mrs. Fleming an expression of sympathy, both for themselves and the members of their families.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, may I say that I agree with everything said by the Prime Minister (Mr. Mackenzie King) about our two departed colleagues. Hon. members on this side of the house join in the tribute to the memory of these men who during the recess of parliament have passed to the great beyond. I have been looking over the record and I find that since this House of Commons was elected less than three years ago, no fewer than ten of its members have been called by death. At the opening of each session of parliament we have thus been reminded of how fleeting is human life and how heavy is the toll among those in public life.

I am glad to be able to say that I knew the late Peter Bercovitch and was privileged to call him my friend. He occupied a highly respected position at the bar of his province. No public man at the bar ever performed a greater service than did Peter Bercovitch on behalf of his race in connection with the school question in the province of Quebec. That will be a living monument to his memory. He was widely known in the business community of the city of Montreal, because, after all, he was a commercial lawyer by practice.

He entered this house after a long period of service in the legislative arena of his province. During his short membership of this house he was suffering from the malady which caused his death, and we seldom heard his voice. But I think he won for himself the respect of every member of this House of Commons. He won mine at an early stage. I remember with pleasure his courtesy at all times. On occasion he was a man who could exhibit great erudition and learning. To the members of his family as well as to his gallant son, who I understand is now a member of the Royal Canadian Air Force, I should like to tender on behalf of myself and my colleagues our very sincere sympathy.

The late member for Humboldt, Doctor Fleming, was called in the very prime of life. I cannot say that I was intimately acquainted

with Doctor Fleming, but I do know that he was a man who had the power of expression and the courage of his convictions. He said what he thought, whether you agreed with him or not. He was a native of this old province of Ontario, but early in life he went to the prairies and there built up a practice for birself accumulated a competence.

to the prairies and there built up a practice for himself, accumulated a competence, I hope, and made for himself a place in his community. As a physician he brought to the deliberations of this house an extensive knowledge and interest in all questions affecting the health and social welfare of the people of his constituency. Many of us did not share the views which he expressed on the floor of this house on various matters, but I can say that he held the interest of his listeners by the independence, aggressiveness and sincerity of his presentations. To his young widow, the daughter of an old friend of mine who was in parliament when I first came here, and to his young family, I tender my sincere sympathy. I should like to extend to the Prime Minister our expressions of sympathy upon the loss of two valued supporters.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to associate this party with the remarks made by the Prime Minister (Mr. Mackenzie King) and the leader of the opposition (Mr. Hanson) regarding the two gentlemen who have passed on. Doctor Fleming and I came from the same province. As the leader of the opposition has said, he was a man who expressed himself forcibly on the floor of this house and often spoke his mind in a manner which at times must have caused him embarrassment. It is always a sad thing to see a man pass on in the very prime of life. Doctor Fleming leaves behind him a widow and a young family, and I am sure that our hearts go out to them in their bereavement and sorrow.

I knew Mr. Bercovitch much better during the past year than I had previously. He was one of nature's gentlemen, a man whom I grew to respect and admire. Somehow or other he gave one the feeling that he too shared the sufferings of the race to which he belonged. From conversations I have had with him I know that the events of these later years depressed him. He was a man of great ability, and when I heard him speak in this house on the few occasions that he did speak I always felt that it was regrettable, perhaps because of the large number on the government side of the house, that a man of his unique qualities and fine mind and education was not able to intervene more

The Ministry

frequently in the major debates of the house. We feel that through his death the house has lost a man who was a true representative of a minority which deserves the sympathy of all of us at the present time. On behalf of those with whom I am associated I should like to convey our deepest sympathy to his widow and son. To the Prime Minister and the government we also tender our sympathy.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, I desire to associate the members of my group with the words of appreciation and sympathy which have been uttered by the three hon. gentlemen who have just taken their seats. I had the opportunity of being somewhat closely associated with the two men who have passed away. I have at all times admired Doctor Fleming as a champion of the rights of the west. I feel that far too little attention has been given by Canada and this house to the claims of the west for a more equitable share of the good things in Canada. I am sorry that a strong voice and a stalwart heart are now missing from among those who are watching over the welfare of the west.

I had not the same opportunity to get to know Mr. Bercovitch. I was impressed by the poise and sincerity of the man and the depth of his personality. He was one member whom I should have been very glad to hear speak a good many more times than he did. I desire to convey the sympathy of my group to those who have been bereaved.

EXTRADITION TREATY

ARRANGEMENTS BETWEEN CANADA AND THE UNITED STATES GOVERNING EXTRADITION OF CRIMINALS

Hon. R. B. HANSON (Leader of the Opposition): I should like to ask a question of the Prime Minister with respect to a new extradition treaty between Canada and the United States, which was signed as long ago as the 29th day of April, greatly extending the sphere of our extradition arrangements with the United States. Has this treaty been ratified by the United States senate, and will it be submitted to this parliament at the next session for ratification? Generally, what is the present position of the treaty?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I shall endeavour to give my hon. friend a complete answer on an early day of the new session.

REPORTS OF COMMITTEES

Eighth, ninth, tenth and eleventh reports of the special committee on war expenditures.—Mr. Fournier (Hull).

[Mr. Coldwell.]

Fourth report of the special committee on reconstruction and reestablishment.—Mr. Turgeon.

WAR MEASURES ACT

TABLING OF ORDERS IN COUNCIL PASSED BETWEEN JULY 1, 1942, AND DECEMBER 31, 1942.

Right Hon. W. L. MACKENZIE KING (Prime Minister): On July 7, 1942, orders in council passed under authority of the War Measures Act between April 1, 1942, and June 30, 1942, were laid on the table. I now table orders in council, in English and French, passed under authority of the same act between July 1, 1942, and December 31, 1942. I also lay on the table volume 8, in English and French, of proclamations and orders in council relating to the war.

THE MINISTRY

ANNOUNCEMENT OF CHANGES SINCE ADJOURN-MENT OF HOUSE

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I should like to inform the house of changes which have been made in the ministry since the house adjourned on August 1st last. The changes were occasioned ly the appointment on October 6, 1942, of Hon. J. T. Thorson, Minister of National War Services, to be President of the Exchequer Court of Canada, and by the resignation on May 11, 1942, of the Hon. P. J. A. Cardin, who at the time of his resignation was holding the portfolios of Minister of Public Works and Minister of Transport.

On October 7, 1942, Hon. J. E. Michaud was appointed Minister of Transport. On his appointment as Minister of Transport, Mr. Michaud resigned the position of Minister of Fisheries, which he was holding at the time.

On the same day, Mr. Alphonse Fournier, K.C., of Hull, Quebec, was appointed Minister of Public Works, and Mr. Ernest Bertrand, K.C., member for the electoral district of Laurier (Montreal, Que.) was appointed Minister of Fisheries. Major-General L. R. LaFleche, D.S.O., was appointed Minister of National War Services.

Both Mr. Fournier and Mr. Bertrand have been members of this house for several years --Mr. Fournier since 1930 and Mr. Bertrand since 1935. They are both well known to hon. members generally, all of whom will be pleased to see them occupying their present position on the treasury benches.

Major-General LaFleche has taken his seat in this house for the first time to-day, having been elected as member of parliament for

Questions

Outremont constituency in the by-election which took place on November 30 last. Though not a member of the House of Commons in any previous parliament, General LaFleche's career is well known. He has been closely identified over many years with the work of public administration in Ottawa, having filled successively the offices of: Deputy Minister of National Defence; Military Attaché to the Canadian Legation in Paris; Associate Deputy Minister of the Department of National War Services, over which department he now presides.

His record of service in the last war is one of outstanding distinction.

During 1929 to 1931, he was president of the Canadian Legion, British Empire Service League.

From hon. members General LaFleche will receive, I am sure, a warm welcome to this house in his present position as a minister of the crown.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

RESTRICTION OF CONSUMPTION OF FOOD OR FOOD PRODUCTS

Mr. KIRK:

1. What food or food products should be used sparingly in order to conserve same for shipment overseas?

2. In the matter of tea, coffee and milk as affecting our war economy, which in their respective order, should preferably be used?

3. Has the government or any department of the government considered informing the people of Canada more definitely by advertisements in the press and by radio anouncements, concerning matters covered in questions 1 and 2?

Mr. ILSLEY:

1. In view of general shortage of man-power, transportation facilities, materials and other resources, the elimination of all forms of waste and the maximum economy in the use of all kinds of foodstuffs is the war-time duty of all citizens. The government has particularly asked the public to make sparing use of bacon and pork products in order to conserve supplies for shipment overseas.

2. Tea and coffee are not adequate substitutes for milk. Milk is a food with a high nutritive value for children and for many adults. Tea and coffee are beverages which have little nutritive value but are used by adults because of habit, taste and stimulation. Tea and coffee consumption should be reduced to the lowest possible levels because of difficulties associated with importations of these

commodities. On the other hand milk should be used as a food in accordance with recommendations made by authorities on nutrition.

3. The bacon board and the Department of Agriculture have been informing the Canadian public for more than a year of the desirability of keeping down consumption of pork products in Canada in order that overseas shipments may be maintained. Information has been broadcast by radio, by newspaper advertising, by the farm press and by public statements of the minister and officials of the Department of Agriculture and the bacon board.

With respect to the use of milk, frequent and definite statements have been made by the Department of Pensions and National Health, and the Department of Agriculture, as to the proper use of milk in the diet. With respect to tea and coffee, the wartime prices and trade board carried on an extensive public campaign in May, June and July to bring about lowered consumption. The definite objective set before the public was to reduce tea consumption by one-half and coffee by one-quarter and on August 3, 1942, coupon rationing of tea and coffee was introduced.

WARTIME FOOD CORPORATION-CATTLE

Mr. EVANS:

1. How many cattle have been taken over by the Wartime Food Corporation, Limited, from June 30 to July 18, 1942, inclusive, in each of the following provinces: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, and on what dates was possession of cattle taken in each case?

2. How many export permits were issued in each of the above named provinces during the said period?

3. How many cattle were taken over under each export permit issued?

4. In what cases were the cattle so taken over, (a) owned by American citizens; (b) owned by Canadian exporters?

5. (a) Were there any losses taken by the American citizens living in Canada who are feeders and exporters; (b) were there any losses taken by the Canadian exporters, on cattle that were taken over by the board, and if so, what amount in each case?

Mr. ILSLEY:

1. Alberta	
Date	No. head
June 30	. 59
July 3	. 118
July 4	. 138
July 6	. 57
July 9	. 30
July 15	. 41
July 16	
July 17	. 31
	<u></u>
Total	. 627

COMMONS

Questions

Manitoba	
Date	No.head
July 2	61
July 3	87
July 6	207
July 7	421
July 8	104
July 9	132
July 10	332
July 11	539
July 13	121
July 14	265
July 15	100
July 16	167
July 17	40
Total	2,576

Ontario

Date	No. head
June 30	. 24
July 2	
July 6	. 205
July 7	. 45
July 8	. 69
July 9	. 133
July 13	. 78
July 14	. 17
July 15	. 86
July 16	. 20
Total	. 826

Note: No cattle were taken over in any provinces except the above.

2. Export licences issued up to and including July 18:

Quebec													2
Ontario													66
Manitob	a												20
Saskatch	ewa	n											22
Alberta													26
British (Colu	ım	bi	a	•				•		•		5
То	tal.												141

3. Cattle taken over under export licences issued:

Licend	ce														N	o. head
1																44
2						;										140
3																237
4										,						71
5	• •															178
6																96
7																40
8																84
9																93
10																27
Mr Ile	alo	 1														

[Mr. Ilsley.]

	and the second second
Licence	No.head
11	23
12	33
13	48
14	606
15	803
16	82
17	67
18	74
19	22
20	27
21	92
22	20
23	41
24	64
25	120
26	42
27	29
28	26
29	20 22
30	18
31	24
32	25
33	36
34	94
35	7
36	58
37	7
38	22
39	190
40	10
41	17
42	20
43	18
44	23
45	35
46	7.
47	76
48	17
49	30
49 50	30 20
51	24
Total	1 020
10001	4,029

4. (a) Owned by American citizens numbers 14 and 15 shown under answer to No. 3.

(b) Owned by Canadian exporters all others shown under No. 3.

5. (a) All cattle purchased by the Wartime Food Corporation are appraised and paid for at export values. If any losses claimed are proven, adjustments will be made accordingly. Claims so far received have not been fully checked so that no statement could be made as to losses, if any.

(b) See (a) above.

*AIR FORCE-ACCIDENTS IN CANADA

Mr. COLDWELL:

1. How many accidental crashes have occurred in the Royal Canadian Air Force in Canada, since May 1, 1942?

2. How many men have been lost in such crashes?

3. How many of the above crashes and deaths have occurred in the Atlantic ferry bomber command?

4. Have the causes of the above accidents been determined?

5. If so, what are the causes?

Mr. POWER: Mr. Speaker, on a number of occasions I have stated to this house that it was not in the public interest to answer questions respecting tragedies which have occurred in the Royal Canadian Air Force in Canada, and hitherto the house has supported this view. The question also involved personnel both in the training scheme and in the Atlantic ferry command who are members of the Royal Air Force; so, in order that I might be able to answer with some authority with respect to the Royal Air Force, and to get some authority for the answers made respecting the Royal Canadian Air Force, I cabled to Great Britain to the Right Hon. Harold Balfour, Parliamentary Under-Secretary for Air, and with his permission I would quote a portion-I do not want to quote it all-of the reply which he made to me. I shall be only too glad to place in the hands of my hon. friend who asked the question, and any other hon. member who may desire, the cable in extenso; but I would quote perhaps the more relevant parts so that it may get into Hansard. It is "for Power from Balfour":

Following is note of our practice with parliamentary questions about R.A.F. flying accidents and reports on them by courts of inquiry or by our chief inspector of accidents.

In general there are security objections in time of war to disclosure details but even when no question is involved our practice which has long been respected by both houses of parliament is to treat reports of courts of inquiry or of chief inspector of accidents as privileged documents which may not be divulged either in whole or in part.

This practice was expounded and defended in 1927 by the then prime minister in the estimates debated of the year (*Hansard*, 10th March, 1927).

Briefly the reason for nondisclosure of proceedings and findings of a court of inquiry is that if it were known that they might be divulged a restraint would inevitably be put both on witnesses and on court itself. It is of importance that all concerned with inquiry should speak their mind frankly and freely giving the fullest possible statement of fact and criticizing fearlessly where criticism is called for without regard to person or rank. Any other attitude could not fail to diminish the value of proceedings and findings as foundation on which remedial measures must be based. Similar consideration bona fide of course to reports by chief inspector of accidents whose duty it is where necessary to criticize authorities concerned.

A further point is that the publication of reports of inquiry into accidents might cause needless pain to relatives of those who have lost their lives.

Now, with respect to the questions directly, taking them in order:

1, 2 and 5. It is not considered to be in the public interest to divulge this information.

3. As the ferry command is a unit of the Royal Air Force, this information cannot be released by the Royal Canadian Air Force.

4. An inquiry is held in every case. If the cause of the accident is not immediately apparent, a court of inquiry or an investigation is called. Until such time as the report of the court of inquiry or the investigator is received the cause of the accident is designated as obscure. However, it is almost invariably possible to determine the cause.

Mr. HANSON (York-Sunbury): If I may be permitted, may I ask the minister if he did not on a previous occasion give some figures with respect to accidental crashes. I quite agree with him with respect to the reports of courts of inquiry, but the number, I think, was given on at least one occasion.

Mr. POWER: I went further than that. I gave the numbers and I gave comparisons with what happened in Great Britain and, I think, in the United States. I may say I was asked not to do so again.

Mr. COLDWELL: May I just say that I am sorry the minister did not speak to me when I placed these questions on the order paper. I put them there because I thought there was an undue number of accidents and I was anxious to find out if a proper inquiry was made.

PRICE OF FLUID MILK IN NOVA SCOTIA

Mr. PURDY:

1. Are the recommendations of the dairy arbitration commission of Nova Scotia, asking for an increase in the price of fluid milk being paid by the distributors to the producers in the Halifax area, being acted upon?

2. If not, why not?

Mr. ILSLEY:

1. Milk prices in Nova Scotia have been under discussion between the Nova Scotia dairy arbitration commission and the wartime prices and trade board. Price adjustments and subsidies have been authorized to maintain milk supplies.

2. Answered by No. 1.

MONTMAGNY, QUE., MILITARY CAMP

Mr. ROY:

1. Has the government awarded a contract for the enlargement of the military camp at Montmagny, Quebec?

2. If so, to whom and at what figure?

3. What amounts have been paid to date on this contract?

Mr. RALSTON.

1. Yes.

2. J. P. A. Normand, L'Islet, P.Q. The total cost to January, 1943, is \$154,693.53.

3. The total amount paid to January 6, 1943, is \$151,401.78.

Mr. ROY:

1. How much did the government pay for the land acquired for the establishment of the military camp at Montmagny, Quebec? 2. To whom were payments made therefor

2. To whom were payments made therefor and what amount in each case?

Mr. RALSTON:

1 and 2. Parts of three properties were expropriated. The owner, Mr. E. de la Durantaye, of one small parcel required for a roadway accepted the price of \$100 offered and deed has been received.

The other two owners were tendered the following amounts:

Henri &	Joseph Kirouac	\$1,690
Louis (C. Dupuis	1,342

An advance payment of 50 per cent of the amount tendered has been made, without prejudice, to each of these two owners.

Final payments to the owners must await judgment by the exchequer court.

ST. LAWRENCE ALLOYS METALS COMPANY

Mr. ROY:

1. Has the government knowledge of any profiteering at the works of the St. Lawrence Alloys Metals Co., Beauharnois?

2. If so, what is the nature of it and what action has been taken?

Mr. HOWE:

1. No.

The Department of Munitions and Supply has placed seven orders with this firm, amounting to \$2,703. These contracts were awarded as the result of competitive tender.

The scrap disposal branch of the Department of Munitions and Supply sold scrap steel turnings to the St. Lawrence Alloys Metals Co. in the amount of \$114,131.78, a total of eight sales from October 15, 1941, to July 31, 1942. This scrap was sold at the highest price obtainable as the result of competitive tenders or at ceiling prices as set by the steel controller.

2. Answered by 1.

[Mr. Ilsley.]

LEASE OF REGINA BUILDING

Mr. STOKES:

1. Has the building on the corner of Fourteenth avenue and Broad street in the city of Regina been leased by the dominion government?

2. If so, from whom was it leased?

3. What is the period of the lease?

4. What is the annual rental payable under the lease?

5. Is Mr. J. M. Broderick president of the lessor company?

6. Has Mr. Broderick been appointed recently to a position with the wartime prices and trade board?

7. If so, to what position and at what salary was he so appointed?

Mr. McLARTY:

1. Yes.

2. Saskatchewan Motor Company, Limited.

3. Three years from date of occupation, with option to crown to renew for a further period of three years on same terms.

4. \$10,000 per annum.

5. Offer of lessor company to lease building signed by J. M. Broderick, president.

6. Mr. Broderick has been appointed to a position with the wartime prices and trade board.

7. Tire rationing representative in Regina, at a salary of \$3,600 per annum.

"THE BATTLE OF BRAINS"

Mr. DIEFENBAKER:

1. How many copies of the booklet "The Battle of Brains" have been issued?

2. To whom have they been distributed, and by what department?

3. Who prepared the material therefor?

4. When were the first issues distributed?

5. Have there been any revisions made since the first issue, and if so, in what particulars?

Mr. RALSTON:

1. 1,500 copies of the "Battle of Brains" were printed.

2. To training centres and active and reserve units by the directorate of military training, Department of National Defence. 200 copies were delivered to the Royal Canadian Air Force.

3. Judge W. F. Lindal and his wife, assisted by educationists of Manitoba.

4. Copies were issued to training centres on September 16, 1941, and to military districts for distribution to units on October 14, 1941.

5. Since issue on dates mentioned above, one revision has been made by Judge Lindal. The number of lectures has been increased from twelve to fifteen, the additional lectures dealing with the United States, Russia, China and the post-war period.

This revised text is being submitted to a committee for final approval in the near future.

CHARLES CRATE

Mr. COLDWELL:

1. Is Mr. Charles Crate in the employ of any

department of the government? 2. If so, what department? 3. Has he during the past three years been employed in any capacity in the government departments?

4. If so, in what capacity?

5. What remuneration has he received?

6. What was his former occupation or employment?

7. Has the attention of the Department of Justice been drawn to his more recent expres-sions of fascist and nazi activities, particularly in the realm of attempts to stir racial prejudices?

8. If so, what action is being taken?

Mr. McLARTY:

1. No.

2. Answered by No. 1.

3. Mr. Charles Brandel Crate was employed in the Toronto postal district office from April 5, 1937, to December 9, 1940.

4. Temporary postal clerk.

5. \$1,020 per annum.

6. No information.

7. Yes.

8. The matter is under investigation.

*LAND DEFENCES

Mr. ROY:

Has the government considered the expediency of creating a separate national defence depart-ment to take care of and provide only for the defence of the land?

Mr. MACKENZIE KING: I might say to my hon. friend that in the opinion of the government the defence of Canada is bound up with the preservation of freedom throughout the world, and that the surest method of defending Canada is to see that the axis powers are defeated as speedily as possible.

MAIL SUBSIDIES-MUSKOKA LAKES NAVIGATION COMPANY

Mr. FRASER (Peterborough West):

1. What amount does the Post Office Department pay to the Muskoka Lakes Navigation Company for carrying the mail throughout the whole of the Muskoka lakes?

2. Are there any extra side services paid for? If so, how much is paid? 3. What is the term of this contract?

Mr. MULOCK:

1. \$8,000 per annum.

2. Yes-(a) Glen Orchard & Port Carling (summer), \$136.50; (b) Bracebridge & Port Carling (winter), \$33.25.

3. April 1, 1939, to March 31, 1943.

BEAUPORT V. QUEBEC POWER COMPANY-LEGAL SERVICES

Mr. LaCROIX (Quebec-Montmorency):

At whose request did the Minister of Justice appoint a lawyer to act on his behalf before the supreme court in the case of the city of Beauport against the Quebec Power Company?

Mr. ST. LAURENT: No outside counsel has been nominated to act in this case. It is being attended to by the department under the direction of the deputy minister.

QUESTIONS PASSED AS ORDERS FOR RETURNS

PERSONNEL LISTED IN DEFENCE TELEPHONE DIRECTORY

Mr. POULIOT:

Referring to the statement of the Honourable Minister of National Defence, at page 3105 of Hansard of June 5, 1942, in relation to the persons listed in the telephone directory of the Department of National Defence dated March 1, 1942, so for so the communic incompany. 1942, so far as the army is concerned:-

1942, so far as the army is concerned:— 1. What are (a) the name, (b) the rank, (c) the age, (d) the military record, (e) the country of origin, and (f) the branch of each one of, first, the 142 persons said to be bilingual; second, the 134 or 137 persons, more or less, who have not resided in Canada during the past five years; third, the 131 persons "whose names appear in the directory and who have been moved away from headquarters since the direc-tory was prepared"; fourth, all other persons appointed, seconded or transferred to the De-partment of National Defence (army) since the directory was prepared and who are not listed directory was prepared and who are not listed in the said directory, but who have one or more telephones in their names in the dominion government exchange?

2. How many, if any, of the persons referred to in the second, third and fourth places in the previous question were (a) in the British army on September 1, 1939, and (b) stationed, for any time and at any time, at the British War Office, and (c) who were they in each case?

Mr. POWER: Return tabled.

COST OF GOVERNMENT BOARDS AND COMMISSIONS

Mr. CHURCH:

What is the estimated cost of government boards and commissions for the fiscal year ending March 31, 1943, the expenditures of which are chargeable to the war appropriation?

Mr. McLARTY: Return tabled.

AIR FORCE COMMISSIONS TO CIVILIANS WITHOUT TRAINING

Mr. CARDIFF:

1. How many civilians have been given com-missions in the Royal Canadian Air Force since the beginning of the war without any actual training?

2. What are their names, rank, location and duties?

3. What was their occupation previous to enlisting? 4. What is the pay of a leading aircraftman

who is training for overseas service?

Mr. POWER: This is an order for return, now tabled. I would ask the house to permit the department to have this document tabled for a month and that at the expiration of the time it be returned to the Royal Canadian Air Force for record purposes.

The preparation of the appended tabulated list of direct entry officers has involved an expenditure of \$422.40 and consumed 149 man-hours of labour.

Mr. HOMUTH: Oh, now, that is not fair.

Mr. POWER: I am giving the reasons. If my hon. and learned friend will allow me to continue, I will give him the reasons why I want the copy returned.

Since the Royal Canadian Air Force record office contains only two tabulators and three sorting machines, all of which are working twenty-four hours a day, the preparation of this list materially interfered with the regular duties of this office, because it meant the diversion of machines from their regular duties for approximately ninety-six hours or twelve shifts.

Since only one copy of this list can be produced on the Hollerith machine at one time, the provision of two further copies would involve approximately 275 hours and a further expenditure of \$800. The provision of these two additional lists would involve the diversion of the machines for approximately eight days or twenty-four shifts.

It is therefore requested that this house grant permission to have these particulars tabled for one month, and that at the expiration of that period the list in question be returned to the Royal Canadian Air Force for record purposes.

Mr. SPEAKER: I might point out to the minister that if the return is now tabled it is the property of the house, and he would have to make a separate motion in order to have his proposal carried out.

Mr. HANSON (York-Sunbury): When a document is tabled in the house it cannot be returned. But I suggest to my hon. friend that a photostat of this return could be made at very little expense.

Mr. POWER: I am giving the house the information which I received. Apparently it cannot be done.

Mr. HANSON (York-Sunbury): I understand it would cost very little to have a photostat copy of this return made. The number must be very considerable.

[Mr. Cardiff.]

Mr. POWER: Five thousand.

Mr. SPEAKER: The minister wishes to table it now?

Mr. POWER: I am making the request that the document be returned as requested. If it is your ruling that I make another motion—

Mr. SPEAKER: The minister cannot table a document with conditions. It is understood that the return is now tabled without conditions.

RECRUITING CENTRES IN THE UNITED STATES

Mr. DIEFENBAKER:

1. How many recruiting centres or offices has the Canadian government established in the United States of America?

2. Where is each located and when opened?

3. How many Canadians in the United States of America are estimated to be subject to service in the Canadian armed service?

4. How many men have been enlisted in each of the said centres or offices to date?

5. What is the staff of each office?

6. What has been the cost to date of the operation of each of the said offices excluding the pay of the military staffs?

Mr. POWER: Return tabled.

PROROGATION OF PARLIAMENT

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

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

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

GOVERNOR GENERAL'S SPEECH

The Deputy of His Excellency the Governor General was pleased to close the third session of the nineteenth parliament of the Dominion of Canada with the following speech:

Honourable Members of the Senate:

Members of the House of Commons:

The present session opened under the shadow of the rapid successes of Japanese aggression in the Far East. Germany and Italy, in making war upon the United States, had completed the circle of world-wide conflict. With German advances in North Africa and Russia, and Japanese advances in China and toward India and Australia, the shadows lengthened. In the late summer, the midnight hour seemed to have arrived.

The British successes in North Africa in October, followed by the landing of a United States and British expeditionary force in November, completely changed the course of the

war in that area. These successes, combined with the determined resistance of China, the unparalleled achievements of the armed forces of Russia, and the United States and Australian gains in the south west Pacific, have materially improved the position of the allied powers. Opposing forces are at last more evenly matched. The united nations are beginning to wage offensive warfare.

The fighting men of Canada, in increasing numbers, have continued in service and in combat against the axis powers in Europe, in Africa, in the middle east, on all the oceans and in the farthest parts of an embattled world. They have kept vigil over our own shores, both west and east. The valour and heroism displayed in the combined operations at Dieppe have added that name to the imperishable list of the battle honours of Canada.

Our country gratefully remembers those in all the fighting forces and in all parts of the world, whose lives have been given in its service and in the cause of freedom.

There has been increased cooperation between the United States and Canada in the defence of the western hemisphere. Canadian and United States forces have shared operations in Alaska and the Aleutians, as they previously had in Newfoundland, along our eastern coast, and in the North Atlantic. The chain of military airfields constructed by Canada between the United States and Alaska has been supplemented by the military highway constructed by the United States. There has also been cooperative development of northern air routes to Europe and Asia.

A plebiscite was held in accordance with legislation forecast in my speech at the opening of the session. As a consequence of the plebiscite, the National Resources Mobilization Act was amended to remove the statutory limitation on compulsory service in the armed forces.

A balanced effort in the prosecution of the war has resulted in a steady increase in the proportion of the nation's manpower and material resources devoted to the purposes of war.

The armed forces have grown steadily in numbers, in strength and in trained efficiency. The production of the machines and munitions of war and of foodstuffs has risen to new heights. In addition to supplying our own forces, Canada has made a vast direct material contribution of weapons, munitions and foodstuffs to Britain and other of the united nations. Within the limits of available manpower and materials, our munitions programme has now reached full

capacity. The volume and quality of output compares favourably with that of any allied country.

Canada's production is being vigorously sustained by unremitting work on our farms, and in the forests, mines and fisheries, the factories, shops and offices, and in all forms of transport. In the armed forces and in industry, the women of Canada are taking an increasing part.

Measures have been enacted to provide for the reinstatement in civil employment of members of the armed forces, and to assist war veterans to settle upon the land.

Rates of pay for lower ranks in the army have been increased on a basis of recognition of service and efficiency. Increased provision has been made for allowances to dependents of those serving in the armed forces.

The control of the cost of living has been splendidly maintained. Additional measures have been taken to avoid the evils of inflation. Where required, more equitable distribution of the necessaries of life has been ensured by the rationing of supplies to consumers.

Measures have been taken to curtail the production and consumption of alcoholic beverages.

Provision has been made for war risk insurance and for compensation for war damage.

Members of the House of Commons:

I thank you for the financial appropriations you have made for the prosecution of the war. The magnitude of these appropriations is without precedent.

As a result of the conclusion of agreements with the provinces, the structure of taxation has been simplified. By a combination of steeply progressive taxation and compulsory savings, the financial burdens of war have been spread more equitably over the whole population. The magnificent voluntary responses to the two victory loans raised during the present session were deeply gratifying.

Honourable Members of the Senate:

Members of the House of Commons:

I thank you for the close attention you have given, in these perilous times, to the discharge of your public duties.

I join with you in grateful thanks to Divine Providence for the measure of success which has thus far attended the efforts of the united nations.

This concluded the third session of the nineteenth parliament.

END OF VOLUME V.

